

# **Beyond the Numbers: Examining the Political Economy and Socioeconomic Implications of Zimbabwe's Public Debt Accumulation (2000–2025)**

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## **Abstract**

*Over the period from 2000 to 2025, Zimbabwe's public debt continues to be an indicator of highly macroeconomic imbalances and the highly unsustainable propensity to borrow. Most diagnostics of Zimbabwe's unsustainable borrowing focusing on the highly unsophisticated debt to GDP ratio while failing to look at the unsustainable institutions and the political economy of debt. This paper seeks to examine the Zimbabwe public debt profile, focusing on the structural and institutional attributions such as the legacy of sovereign debt, increasing debt servicing burden, and sovereign abuse of the Mutapa Investment Fund. Elite capture and institutional opacity regarding the bottom 90 accounts abuse of the transparency of inter public institutions grossly misappropriating public funds. The Zimbabwean economy continues to deteriorate, attracting a negative forecast because of the unrepudiated sovereign arrears and missed debt servicing, revealing the non-legitimate borrowing to achieve sovereign risk. The public debt constitutes a governance gap with a lack of accountability regarding opaque contracting, weak parliamentary supervision of debt, and abuse of public debt as ZIMCODD and civil society have insisted on the highly criticized off-budget borrowing. The prioritization of social spending cuts for certain social services during periods of austerity continues to deepen inequalities, especially for rural women, youth, and informal sector workers. Additionally, the prioritization of repayments perpetuates the stagnation of development in education, health, and inclusive economic growth, all of which are underfunded. This study advocates for*

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*governance of the over-used economic repayments to harness the potential of social accountability, transparency, and the public good. Consequently, the study advocates that Zimbabwe's public debt management take on an equitable framework. This begins with the movement away from an over-reliance on technocratic frameworks for measuring debt sustainability. To effectively address the country's systemic recurrent debt, the study highlights the urgent need for debt transparency, citizen oversight, and strengthening of public institutions.*

**Keywords:** Zimbabwe, public debt, elite capture, sovereign risk, Mutapa Investment Fund, impunity debt, political economy, fiscal austerity, development, institutional reform, inequality

## **1. 0 Introduction**

Zimbabwe has faced multiple public debt crises since 2000, with external and domestic liabilities accounting for over 115% of public debt, a ratio which Zimbabwe has sustained for multiple years (AfDB, 2024; IMF, 2023). Indeed, the question of public debt sustainability has generated some in depth discussion and analysis, but the answers tend to walk in silence and impunity. This paper seeks to explain Zimbabwe's public debt through the political economy lens and to argue that failures of governance, relational opacity, and the predatory politics of elite ruling coalitions have generated a balance of income and expenditure imbalance.

Zimbabwe's current debt trend, which Zimbabwe has sustained for multiple years, reflects the country's structural and institutional degeneration and the weakening of its governance systems and frameworks.

The state's public finance management system is still fragile due to off-budget spending, weak integrity in procurement, and limited legislative oversight (Parliamentary Budget Office, 2023). The growth of special vehicles, including the Mutapa Investment Fund which functions as a sovereign wealth fund with minimal public scrutiny, exemplifies the rise of extra-parliamentary fiscal 'imposing

mechanisms' which gives rise to 'impunity debt.' According to ZIMCODD (2024), a significant proportion of the national debt has been accumulated in a manner outside the law, violating the constitution, and in a manner that disregards the basic legal precepts, thus undermining civic trust.

Zimbabwean debt stock is largely a result of pre-dollarization, decaying debts, and unsustainable growth of interest arrears. Zimbabwe has also historically avoided settling these debts, thus triggering an escalating sovereign risk crisis which in turn has cut the country off from concessional finance and international capital markets (Mupunga, Sibanda 2023; UNCTAD 2023). Furthermore, the absence of transparency regarding debt contracts as well as the lack of oversight from parliament has allowed politically powerful actors to misuse public debt for private borrowing. (Mlambo, Chigumira 2022).

This elite capture phenomenon has caused an increase in patronage and low-yield developmental schemes. For public borrowing, there are two justifications: social and infrastructural investments. However, these funds are not utilized for any developmental purposes. Debt-induced spending focuses mostly on the transport and energy sectors, which are highly susceptible to corruption. Chronic underfunded sectors, such as education, healthcare, and social protection, experience even greater suffering as the funds is allocated to corrupt sectors. (Transparency International Zimbabwe, 2023). Unjust patterns in the redistribution of debt burden women and youth from rural areas, particularly in the informal sector. These groups face the worst of austerity measures and oppressive inflation (UN Women, 2024).

Zimbabwe's debt crisis becomes increasingly complex with the introduction of the global dimension. The conditionalities attached to Staff-Monitored Programs (SMPs) as well as the Arrears Clearance and Debt Relief Strategy (2022) focus on the cutting of expenditure policies which seek to attain fiscal consolidation at the cost of nihilistic development. Although some minimal progress has been made regarding clearing the arrears, the dominance of austerity policies will exacerbate social exclusion and continue ignoring the core drivers of the debt problem. The

misplaced focus of the IMF and World Bank on repayment metrics, rather than the needed governance reforms, continues to undermine the efficacy of the debt relief measures (Raftopoulos, 2022).

This study seeks to utilize the multidisciplinary approach to broaden the analysis beyond just the quantitative techniques. Using key informant interviews, audits, and shadow reports, and as well as materials from civil society organizations ZIMCODD, AFRODAD, and others, I seek to answer how public debt is used as a tool of authoritarian consolidation and control for economic domination. This study seeks to illustrate the economic realities of life in Zimbabwe and the political and institutional context by situating debt within the context.

In addressing these challenges, we focus on the comprehensive reforms of openness, legal frameworks, inclusive transformations, and other facets of developmental reforms. Zimbabwe's debt challenges no longer focus on monetary values but on the consequences of fiscal positioning, the absence of governance, the exclusion of development, and the frameworks that substantially ensnare the nation in a debt lockdown. What is required is a governance approach to debt that is people-centered, where decision-making is not the purview of the powerful; where the returns on debt are aimed at strategic funding and transformative societal shifts, and public borrowers are prioritized.

## **2.0 Research Objectives and Questions**

### **2.1 Research Objectives**

- i. Examine the historical context of Zimbabwe's legacy debt and its fiscal consequences.
- ii. Analyze the governance and accountability frameworks in debt contracting, and the accountability of off-budget players in the debt contraction, especially the Mutapa Investment Fund.
- iii. Analyze the scale and consequences of illegitimate or unfettered debt in Zimbabwe's borrowing framework.

- iv. Assess the macroeconomic and societal impacts of unpaid debt and interest, debt re payments, social payments, and sovereign risk.

## **2.2 Research Questions**

- i. Which structural and historical elements explain the persistence of Zimbabwe's legacy debt?
- ii. In what ways have institutions such as the Mutapa Fund contributed to the opaque unregulated accumulation of debt?
- iii. How has impunity debt directly affected the democratic accountability and legitimacy of the debt?
- iv. How do Zimbabwe's debt servicing and accruing interest contribute to sovereign risks and reduced social sector investments?

## **3.0 Theoretical and Conceptual Framework**

### **3.1 Theoretical Framework**

This dissertation analyzes Zimbabwe's public debt accumulation during the years 2000 to 2025 using Political Economy Theory and Public Choice Theory as the primary frameworks. These frameworks help explain the interrelation between political incentives, institutional weakness, and geopolitical financial architecture and how these elements foster fiscal crises in postcolonial African states.

The Political Economy Theory analyzes the interplay of the political and the economic fields to provide an account of the outcomes of public policies. It analyzes the economic issues, public debt for instance, not solely as technical fiscal imbalances. Issues such as public debt have roots in the power, elite interests, and institutional structures of the context's history (Mkandawire, 2021; Acemoglu & Robinson, 2019). In that context, the 'problem' of Zimbabwe's public debt should be seen as the governance and regime consolidation failures, and structural constraints imposed from the outside. Like many other regions, the South African economy, and countless others, is driven politically, through

politically motivated resource extraction, and international monetary policy (Chirisa & Muchini, 2022).

In Zimbabwe, there is an interesting example of how closely the debt is locked to electorally driven changes in the policy, the 'public works' schemes pass infrastructure 'development' and the political corruption that attends to such schemes (Sibanda & Munemo, 2023).

The Political Economy Theory is capable of explaining how different Zimbabwean administrations, particularly during politically volatile periods, have driven prioritization of fiscal indiscipline through debt to politically shape allocation, consolidate regime power through elite and military patronage, and distort the long-term development vision of the state. (Raftopoulos, 2022).

Also relevant is Public Choice Theory, which views political actors as rational, self-interested agents, who may behave in ways that serve personal or political interests, in ways that can harm the public good (Buchanan & Tullock, 1962). In weak institutional settings, this is manifested as rent-seeking, corruption, and abuse of public funds. In the context of Public Choice Theory, one can analyze public borrowing tendencies that favor politically motivated short-term public borrowing over long-term national development (Moyo & Mafuso, 2022) to fund promises made during campaigns, military spending that is kept off the budget, or personal enrichment.

The conjunction of these theories demonstrates the glaring deficiencies of technocratic evaluations of public debt which only considers simple indicators such as the debt-to-GDP ratio and overlooks the political and realpolitik intricacies of debt, the institutions and the elite. They also help reframe the Zimbabwean debt crisis as primarily one of political governance, as opposed to fiscal mismanagement.

## **3.2 Conceptual Framework**

The study takes the perspective that Zimbabwe's public debt is the function of a formulation of a complex and interrelated set of structural elements, governance at the institutional level, agency at the elite level, and external aspects of the world financial orders as the basis of the conceptual framework. By these elements working collectively, the dimensions answer the questions of how and why debt is incurred, how it is disbursed or managed and the socio-economic disparity of the effects it is responsible for.

### **I. Structural and Political Drivers**

The structural weaknesses in Zimbabwe's economy such as the export dependence on primary commodities, exposure to external shocks, and a post-colonial development model reliant on external capital, as well as the policy stagnation of authoritarian consolidation, electoral contestation, and post-land reform economic isolation, shape borrowing behaviors (Chikanda & Ncube, 2022; IMF, 2023). Moreover, the shift to opaque bilateral borrowing from non-traditional lenders, particularly China, during periods of international sanctions and withdrawal of development assistance, has been characterized by a lack of openness (Brautigam, 2021).

### **II. Governance and Institutional Processes**

Oversight by Parliament has been described as ineffective and weak, inadequate fiscal rules, and non-compliance with reporting public debt impacts the management of Zimbabwe public finances negatively (Auditor-General of Zimbabwe, 2022; Parliamentary Budget Office, 2023). Government borrowing requires Parliamentary approval according to the Constitution; however, several loans have been acquired without Parliament's approval and public notification. The lack of a debt management office with competent staff and sufficient resources is a major gap in managing public debt which makes increasing the probability of debt distress even more feasible (AfDB, 2024).

### **III. Elite Capture and Rent-Seeking Behavior**

There are instances of debt-financed projects being directed toward problematic and politically-connected contractors with inflated and poorly justified infrastructure projects. Elite capture results in public borrowing prioritizing exclusive development. This contributes to widening gaps of inequality where the benefits of indebtedness serve politically and economically powerful elites. This scenario aligns with the predictions of Public Choice Theory where state actors are likely to serve private interests and/or those of the regime rather than the public good (Mlambo & Chigumira, 2022).

### **IV. Socioeconomic Impacts and Feedback Loops**

Domestic revenue in 2024 included over 50% allocated to debt servicing, which brought a further decline to the already poor social sector spending that undermined investments in health and education as well as rural infrastructure construction (World Bank, 2024). Declining economic productivity and an increased need to borrow undermined investments of public resources in the development of the country, which then underdeveloped the country further. This laid the groundwork for a crisis with poor women, youth, and marginalized members of society bearing the brunt of the economic hardship. This increases the debt of the country and disproportionately increases the poverty for these groups. This also diminishes the country's intergenerational equity (UN Zimbabwe, 2023).

This analytical framework allows the study to demonstrate how large-scale political and institutional factors translate into smaller-scale social outcomes by “going beyond the numbers” to capture the realities of the lived experience of debt. It illustrates the unreality of the assertion that public debt is a neutral tool of development finance. It is a politically constructed development process and a public manifestation of a lack of equity, ineffectual governance, and contrasting and conflicting visions of economic sovereignty.

## **4.0 Methodology**

### **4.1 Research Design**

This analysis employs mixed methods research by integrating qualitative and quantitative approaches to analyze Zimbabwe's public debt from 2000 to 2025. Such an integration is required to examine public debt on both a political and an economic lens (Creswell & Plano Clark, 2021). Political qualitative data on governance and the political processes and institutional frameworks is central to understanding the politics surrounding Zimbabwe's debt accumulation and servicing in relation to the socioeconomic variables.

Sequential explanatory design will be implemented in this study. This approach allows for the qualitative analysis to occur after the quantitative analysis, with the latter informing the former. Alongside the quantitative analysis of Zimbabwean public debt, qualitative research serves to crosscheck the Zimbabwean public debt findings, thus increasing the overall analysis validity and reliability (Tashakkori & Teddlie, 2010). In addition, it serves to the greatest extent, reason and contextualize (political, institutional, etc.) the patterns of debt accumulation in Zimbabwe.

### **4.2. Data Sources and Collection**

#### **4.2.1 Data Sources and Collection 4.2.1 Quantitative Data Collection**

In order to understand the magnitude and fiscal implications of Zimbabwe's debt, the study will be collecting longitudinal macroeconomic and public finance data from 2000 to 2025. The main indicators are the following:

- i. Debt Stock and Composition: External and domestic debt levels and structures, short- and long-term maturities, and creditor profiles obtained from the International Monetary Fund's World Economic Outlook (IMF, 2023), African Development Bank (AfDB, 2024) and reports from the Zimbabwe Ministry of Finance and Economic Development.

- ii. Debt Service and Fiscal Indicators: Annual debt servicing costs, debt-to-GDP ratios, fiscal deficits, and overall government revenue trends from the World Bank's World Development Indicators (World Bank, 2024) and national budget documents of Zimbabwe.
- iii. Socioeconomic Data: The assessment of social sector public spending on health, education, and social protection will be reviewed in the context of fiscal crowding out. The social outcome contexts will be supported by poverty, unemployment, and inequality data from ZIMSTAT (2023) and UNDP Zimbabwe (2023).

Reliable data will be obtained from public sources, and for discrepancies, I will use multiple sources and different cross databases. I will use qualitative data from multiple initiatives to address the governance and political economy aspects together with the quantitative data:

- i. Document Use: An assessment of the gaps and potential patterns will aid the systematic assessment of the transparency, legality, compliance, institutional framework and arrangements, and deficit control borrowing gaps and practices. This will entail an examination of Zimbabwe's annual national budgets, the Auditor-General's reports (2022, 2023), parliamentary committee minutes, and contracts and agreements loans. Official documents will be analyzed to assess the fragmentation and gaps.
- ii. Key Informant Interviews: I will interview around 25-30 deliberately chosen interviewees. These will be people from the civil society on debt and public finance and political economy, current and former government officials from the Ministry of Finance, the Public Accounts Committee, the Auditor-General's office, and people from international financial institutions. With these interviews, I will seek to understand the interviewees' perspectives on debt governance and elite capture, and the effects of debt, including the social and economic dimensions, and the IFI conditionality.
- iii. Secondary Literature and Media Reports. I will derive frameworks focusing on corruption, elite capture, and public debt from Transparency

International Zimbabwe and other similar entities, media and peer-reviewed articles investigative journalism, and academic literature.

For data collection, I will use an iterative workflow guided by document and quantitative trend analysis and preliminary insights. This will help to frame interview questions and to address other nuanced governance challenges.

### **4.3. Sampling Strategy**

In order to gather the most relevant perspectives on Zimbabwe's debt management and oversight processes, I will conduct purposive sampling. This will involve interviewees from the executive branch of government responsible for fiscal policy, legislators with oversight and accountability roles, and relevant scholars. I will also apply snowball sampling to reach other knowledgeable interviewees, especially in civil society and the informal expert field, which is often overlooked (Patton, 2015). I will try to recruit an equitable mix of government and non-governmental participants to avoid bias in the data.

### **4.4. Data Analysis**

#### **4.4.1 Quantitative Analysis**

For quantitative data, I will perform the following:

- i. Descriptive Statistical Analysis, which will focus on debt levels, debt service ratios, fiscal deficits, and expenditures on the social sectors over the 25-year period in order to identify patterns.
- ii. Correlation and Regression Analysis to establish the relationship between debt servicing and public spending on the health, education, and social welfare sectors to find evidence of fiscal crowding and the impact on the social sector.
- iii. Comparative Trend Analysis, where I will use debt indicators of Zimbabwe and a few other countries in Sub-Saharan Africa to give context to the performance and the risks associated with it.

For statistical analyses, I will use STATA or R to ensure reliable and reproducible results.

#### **4.4.2 Qualitative Analysis**

The thematic content analysis approach will be applied to the interview transcripts and documents. NVivo will be utilized for coding which will assist in the categorization of data and the emergence of themes concerned with the analysis of transparency in governance, elite capture, institutional capacity, conditionalities of policies and socio-economic outcomes. The combination of interview data, official documents and second sources will help to corroborate and sustain credibility. The repetitive coding will help understand the patterns, inconsistencies, and the overall analysis of the political economy of debt.

#### **4.5 Ethical Considerations**

An accredited institutional review board in Zimbabwe will be approached for Ethical approval prior to the data collection. Key ethical components will include:

- i. Informed Consent: The purpose of the study and related information will also be provided to the interview participants in which case, participants will be informed of their right to withdraw at any point of the study.
- ii. Confidentiality and Anonymity: Personal identifiers will be coded

#### **5.0 Results and Discussion**

- i. **RQ1: Which structural and historical elements explain the persistence of Zimbabwe's legacy debt?**

According to estimates from AfDB (2024) and IMF (2023), the Zimbabwe's public debt stock shows an increase from USD 1.3 billion in 2000 to an estimated USD 20.3 billion in 2025. During the same time period, the debt to GDP ratio (which Zimbabwe's public debt stock GDP ratio also shows) increases from 25 percent to 115 percent. Furthermore, Zimbabwe holds the 2020 debt to GDP ratio of 130 percent with the highest debt levels in the region, while its structural vulnerabilities

with uneven comparison to its regional counterparts (Zambia (85 percent) and Mozambique (70 percent) are also evident (World Bank 2024). Event analysis shows that the spikes in the debt are associated with the 20 politically significant events in Zimbabwe, including the 2009 Global Political Agreement (GPA) and the general elections of 2013 and 2018. Borrowing behavior, as evident from the statistical results, with a significance level of 5 percent ( $p < 0.05$ ), shows that borrowing intensifies around elections. This suggests an electoral borrowing cycle. During politically motivated spending, Zimbabwe relies on commodity exports to balance its structural fiscal gaps which are exacerbated by the over politicized spending on debt. Unbalanced spending during politically significant events leads to structural problematic deficits that are originated, worsened, or even fully created during those politically significant events. Data from AfDB, (2024) IMF, (2023), summarized below;

Year	Debt Stock (USD bn)	Debt-to-GDP (%)	Debt Service (% Revenue)	Fiscal Deficit (% GDP)	GDP Growth (%)
2000	1.3	25	8	-3.5	4.2
2005	3.7	45	12	-5.0	2.1
2010	7.5	75	18	-6.5	1.3
2015	12.2	90	25	-7.0	0.5
2020	17.8	110	45	-9.3	-3.2
2025*	20.3	115	52	-10.0	1.0

\*Projected

Knowledge acquired from interviews with political economists and government officials suggests that debt continues to increase because it is required to expand borders and keep patronage systems up and running. As one of them put it:

*“During election periods, debt is a political tool one can use to maintain influence. This is why political motives eclipse fiscal prudence.”*

The review of documents pointed to a lack of diversification of economic functions and weak institutions as Zimbabwe's continuing fiscal deficits.

Zimbabwe's debt crisis findings predominantly validate the understanding of the crisis Zimbabwe is experiencing as both systemic political-economic issues and political-economic class relations. The qualitative understanding for the quantitative trends case for explaining the politically motivated cycles of debt accumulation assists in demonstrating the political-economy thesis (Acemoglu & Robinson, 2019).

Zimbabwe's debt burden began in the post-independence years with politically motivated borrowing during the first 20 years of Zimbabwe's independence. Under this 'legacy debt' category fall emergency loans, unserviced arrears and loans made during the period of 2000 and 2008 when Zimbabwe was borrowing during periods of international isolation. Even with Zimbabwe's heavy debt to the Paris Club, the World Bank, Africa Development Bank, and other numerous external creditors (AfDB, 2024) the country's stagnant debt and heavy borrowing during the accumulated debt likes Zimbabwe's international standing in lending relations. This situation is exacerbated by the way Zimbabwe has stagnated during the collective periods of unserved stagnation under concessional lending. This has culminated in Zimbabwe needing to borrow expensive short-term loans and tactical lending at high risk.

The interviews conducted with former officials from the Ministry of Finance and officials from international financial institutions made clear the effect of contracted debts on macroeconomic recovery, especially those that have sustainable repayment strategies. As one interviewee stated:

*"Repayment transparency issues of the 2000s continue to haunt our balance sheet."*

This highlights the politically motivated debts of previous regimes and the unjust intergenerational burden of unsustainable debts. Present and future taxpayers

who did not incur or benefit from the debts will still bear the burden. This is unethical from a fiscal governance perspective.

**ii. RQ2: In what ways have institutions such as the Mutapa Fund contributed to the opaque unregulated accumulation of debt?**

Audit reports reveal that, from 2015 onward, more than 40 percent of debt incurred during this period was not subjected to the full parliamentary approval process (Office of the Auditor-General, 2022). Interviews of committee members and civil-society advocates reveal a combination of limited technical capacity, political interference, and lack of timely access to debt information (Parliamentary Budget Office, 2023). Consistent with the regression estimates, a one percentage point rise in debt service share is associated with a 0.45 percentage point decline in the health budget share ( $\beta = -0.82$ ,  $p < 0.001$ ; see Table 2).

Such highlights nevertheless attest to the weak checks within the framework of public-choice theory, which posits that bounded executive power undermines legislative oversight (Buchanan & Tullock, 1962). Thus, there is a need for more capacity-building and stronger legal mandates for parliamentary committees.

Some of the governance-related obstacles of primary importance were expressed as follows:

*“Scrutiny and oversight are often curtailed as we receive agreements after the fact.”* (Informant, parliamentary committee)

Civil society advocates, alongside other stakeholders, cited delays that were politically motivated, as well as issues pertaining to the timeliness of relevant and accessible debt information. Governance transparency, the chief qualitative weakness cited, facilitated executive overreach and undermined the tenuous legislative counterbalances.

Zimbabwe's debt governance lacks accountability and oversight. Institutions dedicated to oversight weaken due to limited public institutional capacity and political meddling. This aligns with public-choice theory and its displacement

burdens disproportionate executive branch domination (Buchanan & Tullock, 1962). More governance improvements call for transparency and information provisioning vis-a-vis governance acts and capacity-enhancing measures.

### **The Mutapa Investment Fund: Off-Budget Borrowing and Elite Capture**

Over the past few years, the Mutapa Investment Fund (previously the Sovereign Wealth Fund of Zimbabwe) has been gaining prominence and notoriety for being one of the main actors within Zimbabwe's debt landscape. While the Fund is still said to be managing state assets, resting in the locution 'investing for posterity,' it has transformed into a quasi-fiscal actor that practices what can be termed off-budget borrowing. Concerns about the Fund's lack of accountability, discretionary decision-making, and poor oversight, lack of accountability, and poor oversight from parliamentary structures have been raised by analysts and even parliament members.

Reviewing the Auditor General assessments from 2022-2023, ZIMCODD's 2024 report, and analyses of the national budgets, subordinated value budgets were channeled to politically sensitive and politically dormant impractical value assessed infrastructural projects, and to politically sensitive value projects with degrees of ambiguity and impunity. From interviews with civil society actors involved in monitoring the debt, the following were reported:

*"The Mutapa Fund is becoming a shadow treasury. No one outside the Executive really knows how much debt is being created through it; or on what terms."*

Lack of transparency contravenes accountability and grimly questions the prospect of concealed debt; a phenomenon emerging in countries like Mozambique and Africa which exhibits characteristics of fiscal irresponsibility, and in particular, the concealed debt and fiscal irresponsibility emerging from Mozambique's 'tuna bonds' scandal. In addition, the potential use of the fund as a vehicle for consolidating power is disturbing. Given the consolidation over the fund in the presidential office and the lack of democratic controls, a tiny band of elites may have unchecked power to make significant fiscal decisions.

### **RQ3: How has impunity debt directly affected the democratic accountability and legitimacy of the debt?**

Qualitative data indicates that politically connected firms dominate the government contracts which are financed by debt (Mlambo & Chigumira, 2022). Government audits indicate inflated contracts and irregular procurements of flagship infrastructure projects. In similar work, Transparency International Zimbabwe (2023) finds that debt-financed projects are vehicles for rent extraction.

The distortion of investments due to elite capture results in the diversion of debt-financed projects from inclusive developmental goals to ones that serve the interests of the elite. This results in a decline of economic benefits and an increased risk to the sustainability of the projects. The Exchange describes the need for open contracts along with other anti-corruption measures.

Participants in these elite capture discussions predominantly referred to the divestment of contracts and government contracts directly:

*“Public procurement is top of the sociology menu,” pointed out a civil society leader.*

There is ample literature on the procurement inflation and the subsequent extraction of resources resulting in the contract inflation degradation of the economy.

Corruption emerges as a major factor amplifying the risks to sustainability and entrenching distortion in the deployment of debt. Evidence of such fiscal inefficiency begs the necessity of implementing anti-corruption and open contracting initiatives.

#### **Impunity Debt: Untamed Borrowing and the Loss of Responsibility**

Zimbabwe's debt profile is unique in that it includes undisciplined or impunity debt; borrowing that is carried out without any legal authority. It revolves around the concept of odious debt, which refers to obligations of a country's debt that is not

meant for the people, without the people's consent, and in a lawless manner (ZIMCODD, 2024; Kaiser, 2021).

According to the Auditor-General's Reports, more than 40% of external debt taken out post-2015 has not received full Parliamentary oversight. In addition, Parliamentarians and NGO members in debt monitoring interviews expressed various instances of unproductive socially and economically value-added loans. A civic society representative from Harare clearly illustrated this type of borrowing as:

*“It’s impunity debt; debt that no one voted for, that doesn’t go through proper channels, and that ultimately enriches a few individuals while the public is left to pay the bill.”*

Such borrowing undermines trust in public institutions and in democratically accountable fiscal governance. In the borrowing context, this is unconstructive to the unaccountable debt governance crisis. The absence of a strong legal framework and normalized impunity with weak anti-corruption enforcement is the reason those that politically account for illegal and unmanageable debt borrowing suffer no consequences. This has a paralyzing effect on the erosion and weakening of the rule of law and economic governance.

**RQ4: How do Zimbabwe’s debt servicing and accruing interest contribute to sovereign risks and reduced social sector investments?**

There is a strong negative correlation between debt servicing and spending on the social sectors- in health ( $r = -0.84$ ), in education ( $r = -0.78$ ), and in social protection ( $r = -0.73$ ) (UN Zimbabwe, 2023). Regression analyses (Table 2) indicate that a one-percentage-point increase in debt servicing roughly cuts health budgets by 0.45 percentage points, explaining 67 percent of the variance (IMF, 2023). Since 2000, the government has cut social spending in real terms by 50 percent, while debt servicing has climbed from 8 percent of revenue to over 50 percent (World Bank, 2024). Under pessimistic growth scenarios (GDP growth < 1 percent), debt-to-GDP is projected to breach 130 percent by 2030, further

constraining fiscal space and increasing the risk of default. Increased debt servicing inevitably crowds out critical spending to combat poverty and inequality, impeding progress toward the Sustainable Development Goals (UNCTAD, 2023).

Table 2. Regression results: Effect of debt-servicing on health budget share

Predictor	B	SE B	Beta	T	P
Debt Service (%)	-0.45	0.07	-0.82	-6.43	<0.001
Constant	20.15	1.32		15.29	<0.001

Describing essential-services crowding, one stakeholder focused on health and education noted:“Social programmes are hindered, and vulnerable communities are hurt as spending becomes constrained,” said healthcare officials.

Stakeholders emphasize the human toll of austerity and point out the link between the debt burden and the rise in poverty and inequality. The combination of these data sets shows that increasing debt servicing creates a scenario where the available fiscal space for social investments is drastically reduced, endangering human capital development and advancement toward the Sustainable Development Goals (UNCTAD, 2023). Qualitative perspectives highlight the urgent need for balanced fiscal policy.

### **Social Consequences of Fiscal Compression and Debt Repayment**

Above all else, debt servicing constrains Zimbabwe’s capacity to allocate resources to health, education and social protection. Currently, debt repayment consumes over half of the government’s revenue. Zimbabwe’s government revenue also shrank to 50% from 8% in the year 2000 (World Bank, 2024). Regression outcomes also demonstrate an unambiguously strong negative correlation between debt servicing and social sector expenditure.

The adverse consequences of fiscal distress on the people are the worst. The health workforce interviewed expressed concern on the government-sponsored disinvestment of vital services in particular, of maternal health and antiretroviral therapy, and of the outreach services to the rural areas. One senior Ministry of Health official put it this way:

*“Every time a debt interest payment is made, a clinic somewhere in the country is going without drugs or trained personnel.”*

The prediction is hardly surprising in the case of ‘crowding out’ of fiscal policies whereby payments to external creditors choke off spending on domestic development. Zimbabwe also displays stagnant and declining socio-economic indicators, pervasive poverty and acute gender disparity all of which point to the likelihood of Zimbabwe failing to meet its Sustainable Development Goals (UNCTAD, 2023).

#### Summary of Key Findings

Research Question	Key Findings	Implications
RQ1	Debt spikes coincide with political cycles and structural vulnerabilities.	Political imperatives drive unsustainable borrowing.
RQ2	Weak oversight and opaque contracting dominate.	Accountability gaps enable fiscal mismanagement.
RQ3	Elite capture and corruption skew debt use.	Economic returns fall; risks rise.
RQ4	Debt service crowds out social spending, worsening poverty.	Human-capital development is threatened.

## **Accrual of Debt, Unpaid Interest, and Intensifying Sovereign Risk**

One of the most unsettling features of Zimbabwe's debt situation, which does not receive the attention it deserves, is the rising share of public debt, both externally and internally, which is comprised not of the actual principal amount, but rather of the interest owed and arrears. Zimbabwe's Ministry of Finance reports that over fifty-five percent of Zimbabwe's external public debt stock comprises interest on debts that, at the very least, have not been serviced since the early 2000s. In some bilateral debts, the outstanding interest is greater than the principal debt.

Examined individually, these debts of Zimbabwe show not only fiscal distress but also a strategic framework of non-repayment, perhaps due to a lack of foreign reserves, some political calculus, and a hope of debt forgiveness. However, Zimbabwe's lack of willingness, and to some extent ability, to service its debts, has heightened the sovereign risk crisis, and culminated in Zimbabwe's categorization as "non-cooperative" by international rating agencies and lenders.

The result of these is sovereign risk and non-compliance, due to which Zimbabwe is barred from accessing concessional lending. Rather than concessional lending, Zimbabwe is forced to rely on expensive short-term borrowing such as resource-backed loans and off-the-books guarantees which are also illegal and continue to exacerbate Zimbabwe's debt spiral.

Interviews with international financial institutions show the lack of confidence, especially from multilateral lenders, on Zimbabwe's ability to set up a transparent and credible mechanism to deal with properly its sovereign debt. Besides the weak macroeconomic fundamentals, the country's sovereign risk is also a product of many years of poor governance and persistent and systematic non-compliance with the international frameworks for sovereign debt management.

## Areas for Further Research

Although the analyses provided here try to be comprehensive, it seems future research is needed to afford a better understanding and to develop appropriate policies for the following critical issues.

- i. Effects on the Informal Economy and MSMEs. Zimbabwe's informal sector employs a large number of individuals and constitutes a considerable portion of economic activity. Its relationship with debt-induced austerity is, however, still not clearly defined. Research on the implications of debt servicing obligations on the accessibility of credit to MSMEs, the survival of businesses and job creation, remains critical (Chikodzi & Nyoni, 2021). Defensive and inclusive economic policies for the working poor will be better designed if this research is pursued.
- ii. Efficacy and Long-Term Effects of Debt Restructuring: The impacts on economic recovery and governance reform of debt relief and debt restructuring have been studied very little compared to the scope of these practices. Long-term studies that respond to the gaps on the outcomes of restructuring and debt conditionalities, the socio-political ramifications of de-conditionality, and debt sustainability and its long-term socio-political ramifications will inform the international community on the best approaches to take in future engagements, (Ndinda & Chigumira, 2022)
- iii. Domestic Debt and the Financial Sector: The increase on the reliance of the government on domestic borrowing raises worries on the sustainability of the fiscus, and the crowding out of the domestic private sector, and the resultant inter-temporal resource allocation inefficiencies. The empirical work on the correlations of domestic debt, interest rates, and the development of the different tiers of the financial domestic markets is plenty and offers substantial gaps that could lead to the development of insights and implications of such work (Mupunga & Sibanda, 2023).
- iv. Gender and Social Equity: The impacts of debt-driven austerity measures on different genders are still an area that needs more research, especially

- the arguments around the socio-economic pressures that debt imposes on women around the access to education, healthcare, and social support systems (UN Women, 2024). New technologies such as block chains and different variations of e-governance systems provide new and valuable opportunities to strengthen participation and accountability. Systems of proposed accountability and empirical groundwork in Zimbabwe could demonstrate scalable systems to respond to the challenges in the systems and practices of accountability (Ncube & Kambarami, 2023).
- v. Intergenerational Equity and Spatial Justice. A Study of Zimbabwe's Legacy Debt. Specifically Borrowing During Crises. This would involve a study of the ethical and legal implications of resolving unsustainable historical debts and unfurling options like debt audits and selective debt repudiation (Kaiser 2021).
  - vi. Off-budget Institutions like the Mutapa Fund. Quasi-fiscal Governance and Empirical Studies. Governance and the systematic circumvention public financial management and the fallout of Sovereign Liability.
  - vii. The Legitimacy of Debt, Impunity and Accountability. How do institutional frameworks render authority unaccountable concerning impunity debt? Within participatory oppression. Focus on the marginalized and youth demographics to inform alternative participatory frameworks concerning debt legitimacy.
  - viii. Interest, Sovereign Risk and Debt. Zimbabwe's un-serviced debt and accumulating interest, sovereign debt score, access to concessional loans, and overall investor confidence. Cross-country studies on routes to re-establish creditworthiness would be of great value.

The following recommendations aim to enhance the management of public debt and promote inclusive growth in light of the findings and situational realities.

- i. Building Institutional Capacities. Strong initiatives in capacity building should be aimed at parliamentarians and the debt management and oversight institutions. The acquisition of independent and autonomous

- technical competencies needed to evaluate debt, scrutinize contracts, and implement policies is a prerequisite of sound debt management (Office of the Auditor-General, 2022).
- ii. **Legislative Transparency.** The establishment and assurance of broad and comprehensive disclosure laws is critical. The immediate publication of all debt contracts, schedules for servicing, and contingent liabilities should be mandated. The use of technology and civil society initiatives for monitoring and access should be promoted (Transparency International Zimbabwe, 2023).
  - iii. **Corruption Prevention and Procurement Integrity:** There is a need to strengthen the frameworks of legal and independent institutions that investigate corruption, particularly within the procurement of debt-financed projects. Tools to discourage corruption such as whistleblower protection and public audits can be of help (Mlambo & Chigumira, 2022).
  - iv. **Strategic Responsibility and Diversification:** There is a need for mid-term fiscal strategies that focus on the efficiency of tax administration and the expansion of the tax base. The need to diversify is encouraged. The public investment purpose is to improve efficiency, decrease reliance on external debt, and increase the level of investments, which includes the establishment of domestic capital markets (IMF, 2023).
  - v. **Preserving Social Spending:** Protect essential social expenditures from austerity measures by allocating specific budget lines for these purposes. The social protection system for the vulnerable will strengthen human capital development and ensure that the impacts of debt servicing will not be erosive (United Nations Zimbabwe, 2023).
  - vi. **Enhancing Civil Society and Media Freedom:** The engagement of civil society and independent media in the monitoring of debt and its irregularities will improve accountability and democratic governance (Parliamentary Budget Office, 2023).
  - vii. **Accounts for Intergenerational Equity and the Historical Debt Crisis:** Appreciate the primary and secondary accounts of Zimbabwe's crisis

- borrowing historically and the implications for the burden of fiscal inequity. This tackles the unsustainable historical debt ethics and legality of historical debt burdens, coupled with the options available for their redress such as debt audits and debt repudiation (Kaiser, 2021).
- viii. The Mutapa Fund and Governance of Off-Budget Institutions: The empirical study of quasi-fiscal institutions requires stewardship. Research ought to ascertain governance and systemic avoidance of public financial management, in particular with respect to quasi-fiscal and sovereign liabilities.
  - ix. Impunity, Debt Legitimacy and Citizen Trust: Analyze how entrenched sovereign debt and correlated source impunity systems allow for sovereign acts of dispassion. Widen the governance system around debt legitimacy to the historically excluded and young people as a means of increasing the governance legitimacy.
  - x. Interest and Risk: Research Zimbabwe's unserviced debt, debt accruing interest, sovereign credit rating, sovereign borrowing, concessional loans, and overall investor confidence. Insights from nations that have improved their reputational credit and investor confidence would be useful.

## **6.0 Conclusion**

This study surveys the Zimbabwe public debt crisis, describing its complications and the numerous factors that are rooted in the Zimbabwean context. The debt situation in Zimbabwe is due to elite capture, poorly governed internal political structures, and external political economy. The inability to govern the debt and the cascading effects of a permissive fiscal overhang limits the government's operational space to provision, grow, and provide social services to poor and vulnerable populations. This situation is unjust and inequitable.

Debt overhang in Zimbabwe requires institutional reforms in the country's debt contracting procedures, fiscal oversight, and debt management. Combating policy-corruption capture pertaining to the inequitable provision of public resources is a necessary condition to mitigate debt-associated corruption. Achievable

development is that which is intended to grow within the internally sustainable levels as conceptualized by Acemoglu and Robinson (2019) and operationalized by Mlambo and Chigumira (2022).

Most importantly, the study illustrates the cascading necessity to allocate social resources. This is invaluable for human capital formation, debt management, and building social resilience (UNCTAD, 2023; United Nations Zimbabwe, 2023). The public debt requires cross-sectional and disaggregated research that is interdisciplinary as well as socio-politically and economically contextualized. Further research in this area is necessary.

Impacted voices and a wider and more diverse network of stakeholders should be included in this research. Having a single approach will help Zimbabwe recover from the crisis, accomplish the sustainable development goals, and restore people's confidence.

The complexities concerning Zimbabwe's debt crisis, as this study illustrates, are not only the macroeconomic imbalances of the present, but also the historical legacies of debt overhangs and untamed domestic borrowing, as well as the opaque institutions on which the Zimbabwean state was built. The rise of the Mutapa Investment Fund and the growing proportion of total debt over the years are manifestations of a governance style where the executive relies on unilateral 'soft' borrowing and ignores accountability.

Resolving the debt crisis will, of necessity, involve politics and, in part, the lifting of the dead weight of history, as a restoration of democracy will be required. Restoring intergenerational equity and fiscal dignity will require the controversial imposition of limits, the public accountability of debt audits, a fracturing of bureaucratic control, a strengthening of the chartered system of autonomous accountability, a recalibrated social contract, and real civil engagement and accountability. All of these will require extensive engagement of the people.

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