Zimbabwe, and Africa at large, must prioritize macroeconomic fundamentals and debt transparency to avoid another debt crisis

The continued increase of public debt in Sub-Saharan Africa was a key topic of discussion including concerns for ordinary citizens who bear the negative implications of high debt through high taxes; tough business climate and deteriorating investments in public services and their privatization. For example, food prices rose by 30% in July 2019 while non-food inflation increased by 19.8%, while poverty is projected to remain stagnant in 2020.

Mr. Patrick Imam, International Monetary Fund – Africa, highlighted the need for the debt question in Zimbabwe in particular to be addressed urgently thus calling on the government to undertake both economic and political reforms simultaneously. Zimbabwe’s total foreign debt stock in principle remains at 25% with the 7.6% being arrears and interests. This means debt needs to be restructured and the international community has made it clear that Zimbabwe has to restructure both economic and political structures starting with aligning policies to the current laws of the constitution as a road to stability” said Mr. Imam.

Other discussions included how Public private partnerships (PPPs) can potentially be a source of financing for the health sector and for infrastructure development in debt distressed Sub-Saharan Africa. Mr. Stella Illewa, Senior Economist - World Bank, noted that PPPs are bound to bring good results only for those countries with strong institutional and legal frameworks that can allow them to mitigate associated fiscal risks by carefully assessing, disclosing, and keenly budgeting.

Mr. Tsvangirayi Mutamur, AFRODAD’s senior policy analyst under Debt Management portfolio highlighted that there is an accountability gap of debt management in Sub-Saharan Africa. Borrowed funds in many debt distressed countries are not achieving their intended purposes often due to corrupt practices in project execution and this creates a burden on future generations.”

Dr. Kaushalika, AFRODAD board member, summed up the need for a new approach with his call to action. “How do we move from here? Let us commit to the reality that Sub-Saharan Africa is in need of huge financial resources to meet Sustainable Development Goals. Where are we at and how do we fill the potholes?” He submitted that debt in itself is not necessarily a bad thing for Sub-Saharan Africa. “The issue is not borrowing; the problem is doing so without safeguarding debt sustainability in order to maximize returns for development.”

Looking at Africa in general, countries with the highest increase in public debt have very low quality of policies and institutions thus that’s where the nail should be hit. AFRODAD has a regional mandate, but it works with partners on the ground to influence various governments through tailored findings and recommendations.