

## **Abstract**

This paper reviews the political economy of development finance in Zimbabwe from the late 1980s to the present day, to see where the current sovereign debt arose from. It disaggregates initial private sector development interventions by type, provider, sector and at the firm level, to see how development finance was extended and spent during the structural adjustment era and after. It notes a number of design flaws and problems in development-financed projects and programmes over the period which undermined their later profitability as productive assets and contributed to debt build-up. The paper also notes the effects of poor domestic governance on the productivity of ventures supported. However, the macroeconomic policies within the structural adjustment programme were also a central trigger to the future unsustainability of debt. Also, in the post-2000 period, the deterioration of the debt position has been exacerbated by the Reserve Bank of Zimbabwe, by means of its extensive foreign exchange denominated loans to parastatal corporations, and by its quasi-fiscal activities. Zimbabwe's public sovereign debt can be reduced, and future private sector development policy enhanced, if recourse to expensive and unproductive fiscal interventions, either by international financial institutions or by the Reserve Bank, are avoided.

**Keywords:** Zimbabwe, Debt, Private sector development, Aid effectiveness, Governance

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