Sovereign Debt News Update No. 157: Libya Takes Zimbabwe to UK High Court: The Legal Revival of a 2001 Fuel Credit Dispute

By:

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February 09, 2026

In November 2025, the Government of Libya launched legal action to recover more than US$100 million in unpaid debt from Zimbabwe, adding to the nation’s growing list of creditor disputes as it struggles under a debt burden exceeding US$23 billion. As of September 2025, Zimbabwe's total public and publicly guaranteed debt stock stood at US$23.4 billion, which includes US$13.6 billion in external debt. This update examines Zimbabwe’s renewed sovereign debt challenges through the lens of the ongoing legal dispute with Libya over a US$100 million fuel-related debt originating from a 2001 credit facility, situating the case within Zimbabwe’s broader, long-standing debt crisis and governance weaknesses in public borrowing. The update further explores how the decision by the Libyan Foreign Bank to pursue litigation in the UK High Court reflects wider trends in cross-border sovereign debt enforcement and

signals increasing impatience among creditors with unresolved legacy obligations. By connecting the Libyan claim to Zimbabwe's wider external debt overhang, exclusion from international capital markets, and stalled arrears clearance efforts, the analysis highlights how long-standing sovereign debts continue to constrain fiscal sovereignty, undermine economic recovery, and expose structural weaknesses in debt management.

Origins of the Libya-Zimbabwe Fuel Debt and the 2001 Credit Facility

Zimbabwe's latest sovereign debt dispute traces back to the height of the country's early-2000s economic crisis, when the Government of Zimbabwe entered into a US$90 million credit facility in 2001 with the Libyan Foreign Bank, an entity wholly owned by the Central Bank of Libya. This was intended on financing fuel imports at a time of acute foreign currency shortages and collapsing domestic production. The facility was extended specifically to Zimbabwe's state-owned oil entity, National Oil Infrastructure Company of Zimbabwe (NOICZIM), to enable the procurement of fuel supplies from Oilinvest BV, a Netherlands-based energy trader, during a period when Zimbabwe was already under growing international isolation and balance-of-payments stress. According to court filings now before the UK High Court (Commercial Division), the loan agreement was underpinned by a sovereign guarantee signed by then Minister of Finance, Simbarashe Makoni. This loan agreement legally bound the Government of Zimbabwe to assume liability should NOICZIM default on its obligations. This ultimately made the debt a direct obligation of the Government of Zimbabwe rather than just a parastatal liability. The Libyan side maintains that approximately US$45 million of the facility was drawn down between 2001 and 2003, during Zimbabwe's fuel crisis which coincided with the fast-track land reform programme and the withdrawal of multilateral balance-of-payments support. This credit facility, initially structured as a short-term commercial arrangement, has since evolved into a contested sovereign obligation due to prolonged non-payment, compounding interest, and the absence of a comprehensive debt resolution framework over the subsequent two decades.

Repayment Failures and the Legal Basis of Libya's Claim

Despite repeated acknowledgements of the debt over the years, Zimbabwe's repayment record has been minimal, forming the basis of Libya's current legal claim that the outstanding liability now exceeds US$100 million once contractual interest and penalties are applied. Court documents indicate that between 2013 and 2023, NOICZIM made only four partial payments amounting to approximately US$5.5 million, a figure the Libyan Foreign Bank argues demonstrates persistent default rather than good-faith repayment efforts. The claimant further asserts that Zimbabwean authorities, through official correspondence since at least 2005, have repeatedly recognised the existence of the debt without disputing its validity, a point that strengthens Libya's argument that the obligation remains legally enforceable under English law. According to reporting, Libya's lawyers contend that the long delay in pursuing litigation does not extinguish the claim because the debt was repeatedly acknowledged, thereby interrupting limitation periods under applicable legal principles. This position is reinforced by the sovereign guarantee, which transforms what might otherwise have been a commercial dispute into a state-to-state financial obligation with direct implications for Zimbabwe's public finances. The accumulation of interest over more than two decades has effectively doubled the original exposure, turning a US$90 million facility into a claim exceeding US$100 million, a figure that now looms large against Zimbabwe's already constrained fiscal position and external arrears burden.

The UK High Court Case: Jurisdictional Issues and Zimbabwe's Legal Posture

The dispute escalated formally in November 2025, when the Libyan Foreign Bank filed suit in the UK High Court's Commercial Division, naming both NOICZIM and Zimbabwe's Minister of Finance, Mthuli Ncube, as defendants, a move that underscores Libya's reliance on the sovereign guarantee to pursue the claim directly against the state. The case is being heard under English law, a jurisdiction commonly favoured in sovereign and quasi-sovereign debt disputes due to its predictable commercial jurisprudence and enforceability of judgments. While Zimbabwe initially sought to challenge the court's jurisdiction, Finance Minister Mthuli Ncube reportedly conceded that the matter could proceed in the UK after initially indicating Zimbabwe would challenge jurisdiction. The reversal suggests a strategic retreat from procedural resistance and an apparent willingness to engage on the substance of the

claim. Accepting the jurisdiction of the UK court does not in itself amount to an admission of liability, but it does indicate that Zimbabwe has limited scope to resist the proceedings, particularly given the existence of a written sovereign guarantee and past acknowledgements of the debt. Justice Richard Jacobs of the UK High Court subsequently ordered the Zimbabwean defendants to file their defence by the end of January 2026, a deadline that places immediate pressure on Harare to clarify its legal position, whether by contesting the debt, negotiating a settlement, or seeking alternative dispute resolution.

Analysis

The revival of a 2001 fuel debt illustrates how unresolved legacy obligations continue to resurface, complicating re-engagement efforts and undermining policy credibility. In recent years, Zimbabwe has attempted to normalise relations with creditors through arrears clearance discussions as discussed in prior Afronomicslaw updates. Yet, cases such as the Libyan claim expose the fragmentation of its debt resolution strategy, where individual creditors pursue litigation while broader restructuring remains stalled. The fact that the claim arises from a parastatal obligation backed by a sovereign guarantee also highlights the contingent liabilities embedded within Zimbabwe's public sector, many of which remain poorly disclosed or inadequately managed. In this sense, the Libyan lawsuit is emblematic of deeper governance and transparency challenges in Zimbabwe's debt architecture rather than an isolated dispute.

In the event that the UK High Court rules in favour of the Libyan Foreign Bank, Zimbabwe could face immediate fiscal consequences, including enforcement actions against offshore assets and increased pressure from other creditors with dormant or unresolved claims. Such an outcome would further constrain Zimbabwe's already limited fiscal space, exacerbate foreign currency shortages, and weaken confidence among investors and development partners. Even in the absence of an adverse judgment, the litigation itself underscores the costs of delaying comprehensive debt restructuring and relying on piecemeal settlements. The case also raises critical policy questions about the continued issuance of sovereign guarantees to state-owned enterprises without robust repayment frameworks or parliamentary oversight, a practice that has historically transferred commercial risks onto the public balance sheet. From a legal perspective, the dispute reinforces the growing trend of creditors using

foreign courts to enforce African sovereign debts, particularly where English law governs loan agreements. For Zimbabwe, resolving the Libyan claim in isolation will not be sufficient to restore debt sustainability, but the outcome may shape creditor perceptions and influence the willingness of others to pursue similar legal remedies. Ultimately, the case serves as a stark reminder that unresolved debts remain active constraints on economic recovery and fiscal sovereignty decades after they are incurred.

Conclusion

The Libya–Zimbabwe debt dispute underscores how unresolved obligations from the early 2000s continue to exert material legal and fiscal pressure on Zimbabwe's economy more than two decades later. What began as a US$90 million fuel credit facility during a period of acute economic distress has evolved into a claim exceeding US$100 million, amplified by prolonged non-payment, accrued interest, and the existence of a sovereign guarantee that exposes the state directly to legal enforcement. The decision by the Libyan Foreign Bank to pursue redress in the UK High Court reflects both the durability of creditor claims under English law and the growing willingness of creditors to litigate where restructuring processes remain stalled. For Zimbabwe, the case illustrates the high costs of fragmented debt management, weak oversight of parastatal liabilities, and delayed engagement with comprehensive debt resolution mechanisms. Beyond the immediate legal risks, the dispute reinforces the broader reality that meaningful economic recovery and re-engagement with international financial systems will remain elusive unless unresolved debts are addressed through transparent, coordinated, and equitable restructuring processes rather than reactive litigation-driven outcomes.

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