First Quarter 2016 - March 2016

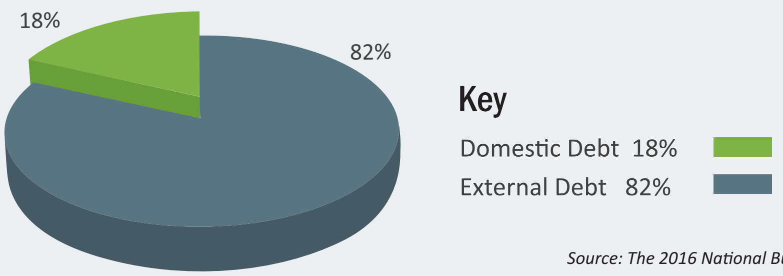
Investing in People
For Social and Economic Justice

Zimbabwe Coalition on Debt and Development

FACTS ON ZIMBABWE'S DEBT PROFILE

Total Public And Publicly Guaranteed Debt As Of January 2016

- ***Total debt:*** US$8.368 billion
  A 0.38% decrease since June 2015
- ***External debt:*** US$ 7.078 billion
  A 5.64% increase since June 2015
- ***Domestic debt:*** US$1.290 billion
  A 24.12% decrease since June 2015
- ***Debt to Gross Domestic Production (GDP) ratio:*** 59%
- 82% of the total debt is external (i.e. debt to foreign creditors like the International Monetary Fund (IMF))
- 18% of the total debt is domestic debt (i.e. lenders within Zimbabwe)



Source: The 2016 National Budget Statement

DID YOU KNOW?

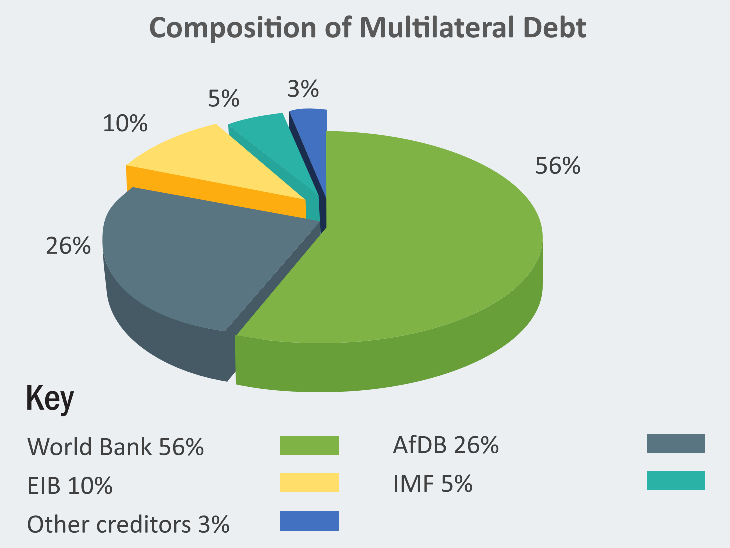
- Considering the national total debt, each Zimbabwean owes about US$631 to foreign creditors and lenders within Zimbabwe
- Each Zimbabweanowes about US$534 to foreign creditorsand about US$97 to lenders within Zimbabwe

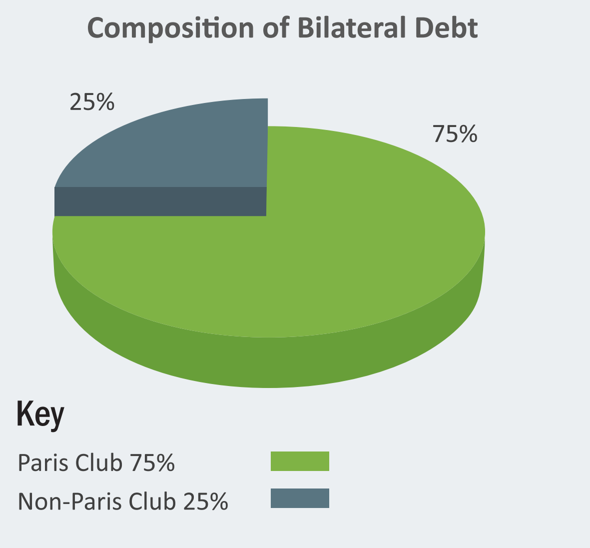
Structure of External Debt

- Out of the total US$7.078 billion external debt, US$4.029 billion are bilateral loans (i.e. loans between two parties) and US$2.462 billion are multilateral loans (i.e. loans between many parties)
- The majority of the bilateral loans (75%) are to Paris Club members
- Out of the multilateral loans, Zimbabwe owes:
  - → US$ 985 million to the World Bank
  - → US$ 640 million to the African Development Bank (AfDB)
  - → US$ 443 million to the European Investment Bank (EIB), the IMF and other creditors

Paris Club Permanent Members:

Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Israel, Italy, Japan, the Netherlands, Norway, the Russian Federation, Spain, Sweden, Switzerland, the United Kingdom and the United States of America.



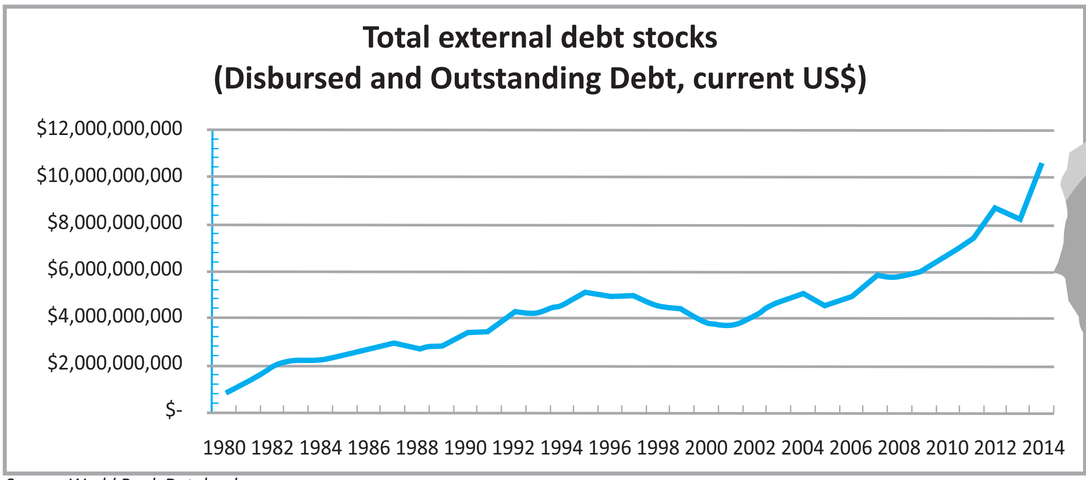


Source: The 2016 National Budget Statement

Uncertainty On The Size of The Public Debt

There is uncertainty on how large Zimbabwe's public debt really is:

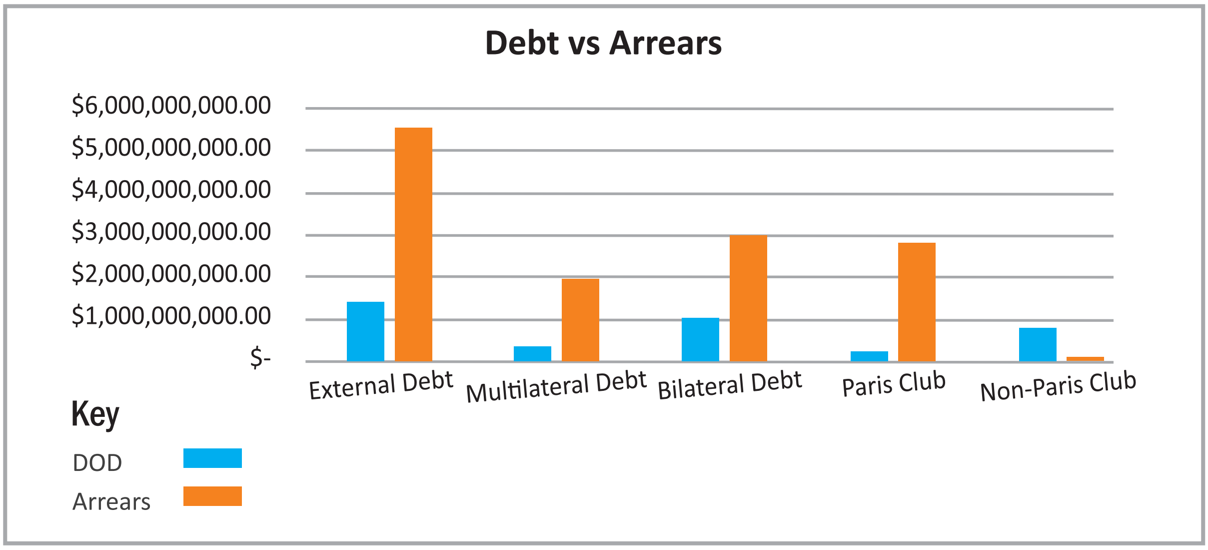
- According to the World Bank, the total external debt stock of Zimbabwe was US$ 10.570 billion in 2014.This is about US$ 3.370 billion more than the government's estimation for 2014
- Out of the external debt stock,35.1% is public and publically guaranteed debt, 38.5% is private non guaranteed debt, 21.8% is short term debt and 4.6% is the use of IMF credit
- Between 2013 and 2014 the total external debt stock increased by 29%
- According to the World Bank the debt to GDP ratio is 74%
- Statistics from the IMF estimates Zimbabwe's general government gross debt at US$ 7.715 billion in 2015. This is US$ 637 million more than the governments estimation for 2015
- Compared to 2014, the general government gross debt increased by 4.45%
- According to the IMF the debt to GDP ratio is 55.24%.



Source: World Bank Databank

DOD versus Arrears

- Zimbabwe borrowed US$1.444 billion externally and US$5.634 billion arrears (i.e. part of the debt that is overdue) have accumulated
- The Multilateral Disbursed and Outstanding Debt (DOD) is US$374 million and US$2.088 billion arrears have accumulated, making a total of US$2.462 billion multilateral DOD
- Source: The 2016 National Budget Statement
- The Total Bilateral DOD is US$1.070 billion and US$2.959 billion in arrears has accumulated, making a total of US$4.029 billion bilateral debt
- Paris Club DOD is US$226 million and US$2.808 billion in arrears has accumulated, making the total Paris Club debt US$2.462 billion
- Non-Paris Club DOD is US$844 million and US$151 million in arrears has accumulated, making the total Non-Paris Club debt US$995 million



Source: The 2016 National Budget Statement

NEWS Important News On Zimbabwe's Public Debt In The First Quarter

In January, there was a meeting between the government of Zimbabwe, the IMF, the World Bank and the AfDB on possible strategies to clear Zimbabwe's US$ 1.8 billion arrear. This was a follow-up meeting to the 2015 Lima conference in Peru. The debt clearance strategy was presented in the 2016 monetary policy statement and consists of two phases. The first phase entails of using a bridge loan to repay the outstanding arrears to the AfDB (US$ 585 million) and the African Development Fund (US$ 16 million), clear the US$ 110 million owed to the IMF and use long-term loans to repay the US$ 891 million loan to the International Bank of Reconstruction and Development. The second phase begins when the US$ 1.8 billion arrears are cleared. The phase entails Zimbabwe negotiating with bilateral creditors to settle the loans with the Paris Club members.

ZIMCODD's position is that government should continue to lead the process of resolving the debt crisis instead of allowing external creditors and organizations to dictate the conditions and strategies. The conditions and strategies should also not infringe on social and economic rights. Instead, the government should strike a balance between debt repayments and social sector spending and focus on domestic resource mobilization instead of external borrowing.

In February, the government started its resuscitation of Cottco by letting the Zimbabwe Asset Management Company (Zamco) assume the company's debt of US$ 56 million. Zamco is a special purpose vehicle formed by the Reserve Bank of Zimbabwe's (RBZ) to undertake cleansing of the banking sector by taking over secured bad loans. As of December 31st 2015, Zamco had acquired US$ 375 million Non-Performing Loans (NPL).

This is not the first time the government has assumed debt. In 2015, the parliament passed a controversial law that meant that the government would assume the RBZ's debt of US$ 1.35 billion. As of December 31st 2015, the RBZ lent around US$ 180 million in the inter-bank facility that aims to support financial institutions in deficit.

For ZIMCODD, it is important that the government stop assuming parastatals' and other financial institutions' debt and should limit its guarantees on these debts. Otherwise, the already unsustainable public debt will continue to increase and hinder the economic recovery of Zimbabwe.

An IMF mission visited Harare from February 24 to March 11, 2016 to hold discussions on the 2016 Article IV Consultations and the third and final review under a 15-month Staff-Monitored Program (SMP) approved by Management in October 2014. According to IMF, the government of Zimbabwe has been committed to the program and has taken important steps towards improving quantitative and structural benchmarks agreed upon at the beginning of the SMP. As a social and economic justice movement, ZIMCODD analysed the outcome of the completed SMP and implications of the set targets on social and economic development. The analysis was an outcome of a wide range of consultations made by the coalition regarding the IMF's SMP process as well as literature review on the matter. Validation of the paper was done through a public meeting held on 23 March 2016 at the Ambassador Hotel, which was attended by stakeholders who included political parties, civil society, individual experts on the subject of debt management and members of the public. The paper reiterated ZIMCODD's position regarding debt management strategies in Zimbabwe.

Read the stories here:

https://www.newsday.co.zw/2016/02/01/imf-wb-to-assist-zim-in-reviving-economy/
https://www.newsday.co.zw/2016/02/10/zim-seeks-11-billion-to-clear-wb-arrears/
https://www.dailynews.co.zw/articles/2016/02/01/zamco-to-assume-cottco-56m-debt
http://www.herald.co.zw/zamco-acquires-357m-npl/

ZIMCODD Calls For:

- A public debt audit to establish how much is owed, the purpose and condition under which loans were given, disbursement methods, whether objectives were met, charges other than interest and benefits and if any benefits accrued to citizens;
- All illegitimate and odious debts be unconditionally cancelled;
- The government to stop assuming the debt of parastatals and should limit guarantees on these debts;
- The government to continue to lead the process of resolving the debt crisis instead of allowing external creditors and organizations to dictate the debt resolution strategies;
- Debt management strategies to be implemented that does not infringe on social and economic rights. The government should strike a balance between debt repayments and social sector spending;
- Responsible lending from the creditors;
- The government to focus on domestic resource mobilization and minimize external borrowing. This calls for plugging leakages in the public finance management system;
- That in the event of the government contracting loans, the government should acquire grants and more concessional loans (which are cheaper);
- The strengthening of the oversight role of Parliament in public debt management in accordance with the constitution and the Public Debt Act.

Investing in People
For Social and Economic Justice

ZIMCODD Contact Details
Head Office:
226 Samora Machel Ave, Eastlea, Harare
Tel: +263-4-776830
Email: zimcoddbyo@zimcodd.co.zw

Bulawayo Office:
42A Samuel Parirenyatwa Street,
Between 2nd & 3rd Avenue, Bulawayo
Tel: +263-9-886594/5
Email: zimcoddbyo@gmail.com

www.zimcodd.org

Twitter: Zimbabwe Coalition on Debt and Development
Handle: @zimcodd1

Facebook: Zimbabwe Coalition on Debt and Development
Account: Zimcodd Zimcodd