



ZIMCODD RESPONSE TO THE FINAL REVIEW OF THE IMF STAFF MONITORED PROGRAM

Introduction

An International Monetary Fund (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. An SMP is an informal agreement between country authorities and Fund staff to monitor the implementation of the authorities' economic program. 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. However, there is need to carefully consider the various targets and structural reforms under SMPs as they can affect the realisation of social and economic development. As a social and economic justice movement, ZIMCODD wishes to analyse the outcome of the recently completed SMP¹ and implications of the set targets on social and economic development. This analysis is 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.

An analysis of the third SMP

Below is an analysis and the implications of the set benchmarks on social and economic development.

Fiscal discipline: reducing the wage bill

Fiscal discipline is important in the creation of fiscal space for developmental purposes. However, it is important that the fiscal discipline does not encroach on social and economic rights.

- The relaxation of the labour laws in 2015 resulted in an increase in unemployment. The laws were later amended to deal with employment contract termination and dismissals but the damage had already been done as thousands had been forced into the streets.
- In the 2016 National budget, the government proposed to 'rationalise' the Public service, which will lead to job losses by affected civil servants. Instead of cutting the

¹This analysis should be read in conjunction with ZIMCODD Position Paper submitted to IMF on 8 March 2016.

size of the civil service (being celebrated by IMF), the government should: implement the recommendations of the Mukonoweshuro report which exposed that there were more than 70 000 ghost workers on the government pay roll and remove ghost workers from the pay roll; reduce hefty packages which include, travel and other allowances for top government officials; reduce the decompression ratio i.e. the difference between total monthly earnings of the management and the least paid workers.

Restoring confidence in the financial system

Restoring confidence in the financial system should not be done at the expense of social and economic development. For example, the government's assumption of the RBZ debt has increased the debt burden on the citizens who might not have benefited from the loans.

- The strategy of assuming nonperforming loans from parastatals as enshrined in the Zimbabwe Asset Management Company (ZAMCO) Bill will hamper the realisation of social and economic rights. Debtors should use their assets as collateral to pay their debts rather than transferring them to the public.

While ZIMCODD commends the government's National Financial Inclusion Strategy in its January 2016 monetary policy statement where deliberate efforts have been made to reduce the barriers that inhibit the participation of every Zimbabwean in the financial system, the ZAMCO bill needs to be amended.

Amendments to the Public Finance Management Act and the Procurement Act

- Significant strides to amend the Public Finance Management Act and the Procurement Act were made². This will strengthen governance and accountability arrangements to curb financial leakages in ministries and parastatals and will increase the availability of potential resources for national development. The amendments will also strengthen Treasury's financial oversight of State-owned enterprises. Amendments to the Procurement Act will tighten the public procurement framework and make it more efficient and transparent³. We commend the realignments, however the processes on procurement should not facilitate the elbowing out of local entities that seek to tender for opportunities by favouring well resourced international bidders.

Improving Business Environment

- There have been conflicting policy pronouncements by the various line ministries with regards to the Indigenisation and Empowerment policies⁴. There is need for consensus within the government concerning the indigenisation and empowerment policy. Progress has been in providing guidelines on the Indigenisation and Economic Empowerment⁵.

Debt outlook

²<http://www.herald.co.zw/govt-loses-830m-to-poor-public-finance-management/>

³<http://www.worldbank.org/en/news/feature/2015/05/13/zimbabwe-begins-public-procurement-modernization>

⁴<https://www.dailynews.co.zw/articles/2015/12/27/zhuwao-chinamasa-brawl-over-indigenisation-laws>

⁵http://www.investzim.com/index.php?option=com_content&view=article&id=239&Itemid=662

As at September 2015, Zimbabwe's external debt obligations were estimated to be US\$8.368 billion (over 80 percent of the country's gross domestic product)⁶. The country has managed to enact the Public Debt Management Act and created a debt management office within the Ministry of Finance. However, the Act is not water tight in terms of borrowing limits and vesting borrowing powers in the hands of the Minister of Finance. The establishment of the Debt Management Office is commendable, however, ZIMCODD calls for an independent debt management office that has some autonomy to recruit and make decisions without the direct influence of the central executive power and other political actors.

ZIMCODD's recommendations

- Setting up of an all-inclusive Commission to undertake an official Public Debt Audit to determine the exact amount owed, beneficiaries and impact of the loans. In the interest of social and economic justice, the creditors should immediately institute a moratorium on principal and interest payments.
- The government should come up with a Debt Management Strategy that will ensure that the country does not plunge into huge debt as efforts are made to re-engage with creditors.
- There is need to align the Public Finance Management Act and other related pieces of legislation to the Constitution and Parliament should exercise its oversight role in all debt management matters. There is need for prior examination of the appropriateness before signing for new loans by the Parliament.

While reengagement efforts with creditors are a welcome development, the government should continue to lead in the process of resolving the debt crisis instead of allowing the external players to dictate the debt resolution strategies. Debt management should be located within a broader developmental vision of the country that balances growth, obligations to repay and human development. Sound debt management entails keeping the cost of repayment at minimal while the very debt is employed to build repayment capacity and develop domestic funding mechanisms. Building internal and citizens based revenue capacity is crucial since it enhances the link between taxation, state building and democratization.

ZIMCODD acknowledges that whilst borrowing by government is imminent, we call for the government to exercise responsible borrowing and aim for domestic resources mobilisation to avoid further mortgaging of the country.

⁶ 2016 National Budget Statement

About ZIMCODD

The Zimbabwe Coalition on Debt and Development (ZIMCODD), is a non-profit Social and Economic Justice coalition established in February 2000 to facilitate citizens' involvement in making public policy and practice pro people and sustainable. ZIMCODD views indebtedness, the unfair local and global trade regime and lack of democratic people-centered social economic and political governance as root causes of the socio-economic crises in Zimbabwe and the world at large. Drawing from community-based livelihood experiences of its membership, ZIMCODD implements programmes targeted at:

- Educating the citizen
- Facilitating policy dialogue among stakeholders
- Engaging and acting on socio-economic governance at local, regional and global levels.

Our vision

Sustainable socio-economic justice in Zimbabwe through a vibrant people based movement.

Mission

To take action in redressing the Debt burden, Social and Economic Injustices through formulation and promotion of alternative policies to the neo-liberal agenda

Objectives

- To raise the level of economic literacy among ZIMCODD members and citizens to include views and participation of grassroots and marginalised communities.
- To facilitate research, lobbying and advocacy in order to raise the level of economic literacy on issues of debt, trade and sustainable development.
- To formulate credible and sustainable economic and social policy alternatives.
- To develop a national coalition and facilitate the building of a vibrant movement for social and economic justice.

For more information, please contact:

Mr. Joy Mabenge: National Chairperson: +263772904479, Email: jmabenge@yahoo.com

Ms. Patricia Kasiamhuru: Executive Director: +263773213770, Email: patriciak@zimcodd.co.zw

Contact ZIMCODD Head Office:

226 SamoraMachel Avenue, Eastlea, Harare Tel: +263-4-776830

Website: www.zimcodd.org

Facebook Page: Zimbabwe Coalition on Debt and Development,

Profile: ZimcoddZimcodd

Twitter: ZIMCODD1