

Investing in People
For Social and Economic Justice

2nd Quarter - June 2016

Zimbabwe Coalition on Debt and Development

ZIMBABWE'S DEBT PROFILE

Despite the reconciliation exercise by the Zimbabwean authorities and creditors on Zimbabwe's debt, comprehensive debt audit that incorporate the people in assessing amounts owed, purposes and conditions of loans, additional charges on the loans, disbursement methods and the accomplishment of intended objectives has not been done. The debt figures as reported in this report therefore remain suspicious to the public who bears the debt repayment burden. Further, despite the establishment of the Zimbabwe Aid and Debt Management Office (ZADMO) debt information is not accessible to the public, is not up-to-date and varies by source. Comprehensive and inclusive debt audit will authenticate the debt and establish broad social and economic impacts for the future.

ZIMBABWE'S TOTAL DEBT: US\$13.4 billion;

16% Domestic debt is US\$2.12 billion, (16% of total debt)

84% Total external debt is US\$11.28 billion (84% of total debt)

US\$ Public and Publicly Guaranteed (PPG) debt: US\$9.617 billion, and Private debt: US\$3.797 billion

2ND QUARTER PUBLIC & PUBLICLY GUARANTEED (PPG) DEBT (US\$9.617billion)

External Debt US\$ Billions: DOD vs Arrears: 79% is in arrears;

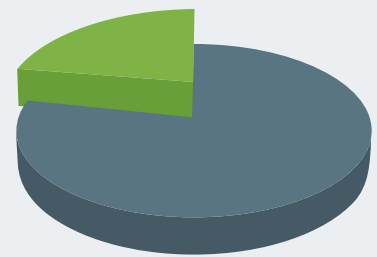
	Remaining Principal	Total Arrears	Total Debt
Total PPG Debt	3.854	5.764	9.617
PPG External Debt	1.715	5.763	7.478
Paris-club	0.212	2.925	3.137
Multilateral institutions	0.534	2.112	2.646
AfDB	0.035	0.607	0.642
Others	0.215	0.258	0.473
Total domestic debt	2.139	-	2.139
New	1.438	-	1.438

Source: Ministry of Finance and Reserve Bank of Zimbabwe

- Total PPG debt increased by 15% from the 1st Quarter level of US\$8.368
- External debt increased by 6% from the 1st Quarter level, while domestic debt increased by 66%,
- Domestic debt increased from US\$1.110 billion in 2012 to US\$2.139 billion during the 2nd quarter of 2016,
- Debt to Gross Domestic Product (GDP) ratio increased from 59% in the 1st quarter to 68% in the 2nd quarter,
- 78% of the debt is external (Debt to foreign or international lenders),

Structure of PPG Debt by Source

Key
Domestic Debt 22%
External Debt 78%

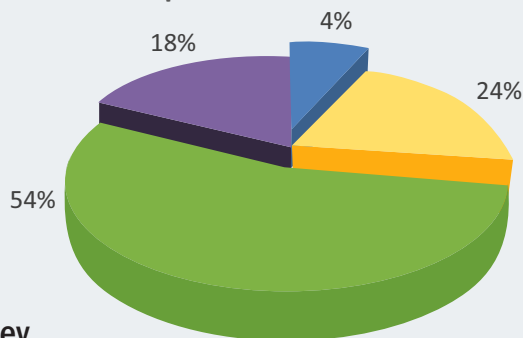


Source: IMF, World Bank, Ministry of Finance & RBZ estimates

Uncertainty On The Size of The Public Debt

- Of the US\$7.478, US\$4.245 billion (57%) are bilateral loans, US\$2.646 billion (35%) are multilateral loans and US\$587 million (8%) is short term RBZ debt,
- Bilateral loans increased by 5% from the 1st quarter through to the 2nd quarter while multilateral loans increased by 7% over the same period,
- 74% of bilateral loans are to the Paris Club and 26% to non-Paris Club,
- Most of the multilateral debt is owed to the World Bank (54%) and the African Development Bank (24%),

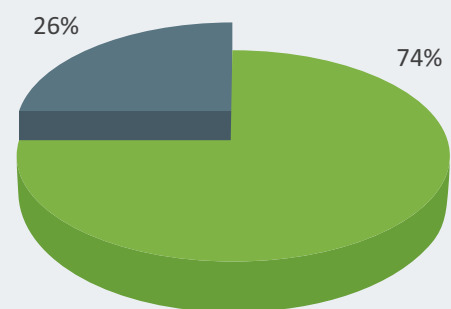
Composition of Multilateral Debt



Key

World Bank 54%
Others 18%
AfDB 24%
IMF 4%

Composition of Bilateral Debt



Key

Paris Club 74%
Non-Paris Club 26%

Source: The 2016 National Budget Statement

Disbursed and Outstanding Debt (DOD) Versus Arrears

- There is uncertainty over Zimbabwe's external debt as International Financial Institutions give different estimates of Zimbabwe's debt stock,
- A debt reconciliation exercise was undertaken between end- 2014 and 2015 by the Zimbabwean authorities and creditors,
- However, the International Monetary Fund reported Zimbabwe's public and publicly guaranteed debt to be US\$8.934 billion by end April 2016, this figure is 8% lower than figures estimated by the Zimbabwean authorities as at end of March 2016.
- Thus, it remains uncertain whether or not the debt reconciliation exercise brought finality to the uncertainty surrounding the exact size of Zimbabwe's debt,
- Changes in debt due to new loans, the exchange rate and interests are not reported,



Disbursed and Outstanding Debt (DOD) Versus Arrears

- Of the PPG external debt, 23% is the borrowed principal due and 77% is the accumulated arrears,
- Bilateral creditors are owed 28% in principle amount and 72% accumulated arrears,
 - ↳ Paris Club is owed 7% in principal amount borrowed while 93% are accumulated arrears,
 - ↳ Non-Paris Club is owed 87% in principal amount borrowed and 13% in accumulated arrears,
- Principal amount owed to multilateral institutions is 20% while 80% are in arrears,
 - ↳ Total IMF debt (US\$0.112 billion) are accumulated arrears,
 - ↳ World Bank is owed 20% in principal amount and 80% in accumulated arrears,
 - ↳ African Development Bank is owed 5% in principal amount and 95% in accumulated arrears,
 - ↳ Other multilateral debt is 45% in principal amount borrowed and 55% in accumulated arrears,
- US\$0.587 billion short term RBZ debt is wholly in arrears,

Changes to the Zimbabwe Public Debt

- By end-January 2016, the Ministry of Finance and Economic Development had taken over \$656 million (4.6 percent of GDP) of RBZ's noncore liabilities.
- The country continues to accumulate arrears and the vagary external position has been worsened by the fall in mineral prices and leakages in mineral revenue,
- In 2015, in line with the Staff Monitored Programme (SMP), the Zimbabwean authorities borrowed abroad for development projects on non-concessional terms with an average grant element of 26% and external (public and publicly guaranteed) debt increased by US\$239 million.



Government Assumes Debts of State Enterprises

The government is in the process of assuming, or had been approached to warehouse some of the following debts by the parastatals:

- Hwange Colliery Company's US\$65 million,
- Zimbabwe Iron and Steel Company (ZISCO) - over US\$370 million,
- Telone- over US\$320 million,
- Air Zimbabwe- US\$140 million debt,

These debts are assumed in book value basis as the government is bankrupt to pay. The above mentioned debts are in the process of being assumed by the government without prudential audits to bring clarity into the circumstances that led to the accrual of the debts and the establishment of the requisite mechanisms that prevent future accumulation of such debts at state enterprises.

Zimbabwe has failed to clear US\$1.8 billion arrears owed to the International Monetary Fund (IMF), the World Bank (WB) and the African Development Bank (AfDB) by the June 30 deadline as per the debt clearance strategy presented on the sidelines of the 2015 Lima Conference in Peru. By end of June 2016, nothing had been paid. The Government however indicated that the implementation of the Arrears Clearance Strategy Road Map is near fruition as the Board Meetings of the World Bank, IMF and the African Development Bank slated for September are to finalize the road map. In May 2016, the Treasury and Reserve Bank of Zimbabwe delegation held discussions with the International Financial Institutions and Bilateral Partners in Lusaka, Zambia, gaining support and positive prospects concerning the clearance of arrears with the World Bank, IMF and AfDB. The Government is pinning hope to unlock new financing once arrears with these financial institutions are cleared.

The African Export and Import Bank (Afrexim) is said to be in the process of arranging a seven year US\$968 million loan deal to help Zimbabwe pay its arrears to the preferred three financial institutions named above. This loan is expected to assist Zimbabwe payback debt arrears before the September board meetings. Once arrears are cleared, Zimbabwe is expecting emergence loans and balance of payments support. Zimbabwe's focus towards attracting new foreign funding comes against stern warning to the African countries over unsustainable debts by the UNACTAD. The UNACTAD African Development report 2016 warned that debt is dangerous and encouraged African countries to balance between the present and the future, and to seek delicate complementary and alternative sources of finance such as remittances, tackling illicit financial flows and public private partnerships. The report has an important bearing to Zimbabwe which is more focused on attracting new foreign financing in an economy drained through illicit financial flows and mismanagement of mineral revenues. The country is reported to have lost more than US\$12 billion through illicit financial flows, and President Robert Mugabe has indicated that US\$15 billion of Diamond revenue was lost between 2012 and 2015 through illicit transactions: **if these funds were plugged the country would have managed to pay off its debts. Therefore, effective domestic resource mobilization, curbing illicit financial flows, and improving transparency and accountability are vital for Zimbabwe's sustainable development and debt resolution.**

The government continued with its re-engagement efforts with creditors in the second quarter of the year. On 15 June, the IMF team visited Zimbabwe as a follow up assessment of Zimbabwe's adherence to agreed reforms. The RBZ governor has held various meetings with heads, vice heads or managing directors of international institutions discussing the road map and post clearance programmes. By the end of the second quarter of 2016, authorities had scheduled meetings in London to engage creditors and reaffirm the country's commitment towards arrears clearance. **Information on the progress made and details of these meetings are not availed to the citizenry including progress on meeting arrears clearance target, and nature and structure of bridging loans being sought.**

Zimbabwe Asset Management Company (ZAMCO) continued its task of cleansing the banking sector by taking over secured bad loans. As of end-February 2016, ZAMCO had acquired mortgage backed loans estimated at US\$357 million.

Read the stories here:

<http://www.thestandard.co.zw/2016/05/29/world-bank-afdb-assess-zim-debt-plans/>

<http://www.newsdezimbabwe.co.uk/2016/06/chinamasa-seeks-western-aid-as-mugabe.html>

<https://www.newsday.co.zw/2016/02/09/zimbabwes-debt-clearance-strategy/>

<http://thezimbabwemail.com/money-markets-25627-zimbabwe-misses-its-own-debt-repayment-deadline.html>

<http://www.thestandard.co.zw/2016/03/20/govt-borrows-19-billion-l-1bn-goes-to-rbz-debt/>

www.parlzim.gov.zw/national.../1658_a40eda7988210103409631388f78a29e



Investing in People
For Social and Economic Justice

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

Bulawayo Office:
2nd Floor ZIMDEF House
East Wing, 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