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ZIMCODD

ZIMBABWE COALITION ON DEBT AND DEVELOPMENT

WEEKLY REVIEW

3 May 2022

ABOUT ZIMCODD:

The Zimbabwe Coalition on Debt and Development (ZIMCODD) is a social and economic justice Coalition established in February 2000 to facilitate citizens` involvement in pro–people public policy. ZIMCODD views indebtedness, the unfair global trade regime and lack of democratic people–centred economic governance as the root causes of socio – economic crises in Zimbabwe and the world at large.

"Celebrating 20 years of People driven Social and Economic Justice in Zimbabwe"

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Weekly Dashboard

Forex Auction Weighted Rate

Week 20.04.2022	Week 26.04.2022
ZWL155 1419 per USD1	ZWL 159 3482 Per USD1

Consumer Price Index

March	April
4.766.10	5.507.11

Blended Consumer Price Index

March	April
146.06	160.13

Month on Month Inflation

March	April
6.3%	15.5%

Year on Year Inflation

March	April
72.7%	96.4%

Covid-19 Cases

	Week (25.04.22)	Week 02.05.22
Positive cases	247 598	247 935
Recovered	241 460	241 850
Deaths	5 466	5 470

National Recovery Rate

Week (25.04.22)	Week (03.05.22)
98%	98%

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1. Zimbabweans deserve better than harmful secretive debt deals

Bloomberg News recently revealed that the government of Zimbabwe seeks to pay the debts it owed to Trafigura Group on contracts dating back to 2016. These contracts, reportedly worth US$225.6 million,[1] pertain to fuel payments made by Trafigura Group on behalf of the Reserve Bank of Zimbabwe (RBZ). The Government of Zimbabwe (GoZ) is therefore set to transfer the debts from RBZ to the Treasury and payments will be made through minerals particularly nickel from Bindura Nickel Corporation and gold from Shamva and Freda Rebecca gold mines - these mines are owned by Kuvimba Mining House (KMH).

The GoZ is the majority shareholder in KMH owning 65%. Undisclosed private shareholders control the balance in equity. Government's failure to publicly disclose the terms and conditions, under which KMH was acquired is a clear violation of the Constitution which gives Parliament oversight role of the borrowing powers of the state. The exact beneficiary ownership of the mining house therefore remains shrouded in secrecy. However, it can be ascertained that controversial Zimbabwean tycoon - Kudakwashe Tagwirei who is under United States sanctions for alleged underhand dealings has a significant stake in KMH.

Through investigative journalism, Bloomberg News established that under the current secretive agreement, the GoZ will pay Trafigura about US$6 million per month and Trafigura will retain 40% of payments made to nickel and gold mines in collection accounts. A collection account is a debt account that has been sold by the original creditor to a third-party debt collection agency. This happens when the borrower is delinquent on payments long enough (generally 180 days) for the lender to charge off the loan, which means they consider the account to be a loss—but that does not mean the borrower is off the hook for paying the bill.[2] Under this arrangement, the government has reportedly given Trafigura the right to approve buyers of the metals (gold & nickel), the right of first refusal, and the right to buy these metals. Ironically, all the payments under this agreement will not be subjected to tax, and transaction documents will not be lodged with any authority in Zimbabwe, thus prejudicing the country of significant revenue. In addition, this clause renders the Parliament of Zimbabwe and other accountability institutions like the Office of Auditor-General (OAG) and Zimbabwe Anti-Corruption Commission (ZACC) toothless. The GoZ is bound by the law to publicise all the sovereign deals for the sake of promoting transparency and accountability.

[1] https://www.thezimbabwean.co/2022/05/trafigura-seeks-control-of-zimbabwes-metals-for-unpaid-debts/

[2] https://tradelinesupply.com/collection-accounts

The continuous assumption by Government of unaccountable debts accrued by RBZ and the resort to collateralized borrowing in recent years has fuelled unsustainable resource extraction in Zimbabwe. In most of these deals, the government has inadvertently undermined the country's future interest in order to pay off unsustainable debts.

Most assumed debts have benefitted a narrow political elite at the expense of the collective interest of the majority poor. It is the wealthy few and connected individuals who have unfettered access to and disproportionate benefit from public programmes like fuel subsidies which were provided under the Command Agriculture (CA) scheme. To this day, the public does not know the actual cost and beneficiaries of the CA scheme since it was introduced back in 2016. However, in January 2022, the government announced plans to assume RBZ debts to the tune of US$3.8 billion in blocked funds (legacy debt), the debt which is entirely owed to the private sector by the RBZ. The overtaxed Zimbabwean public will be forced to foot the bill. This also happened in prior years like in 2015 when the government assumed about US$1.5 billion RBZ debt, part of which debt was in order to write off non-performing loans given to politically connected individuals who received loans under the US$200 million Farm Mechanization Programme.

Unabetted debt assumptions are a clear dereliction of GoZ's responsibility to steward national resources in the public's best interest.

In 2019, the government approved the assumption of TelOne's US$338 million legacy loans. More recently, there were calls by a Parliamentary Portfolio Committee for government to assume the debt owed by the Zimbabwe Broadcasting Corporation (ZBC). Consequently, total Public and Publicly Guaranteed (PPG) debt has become unsustainable leaving the country at high risk of debt distress. Available government statistics show that as of September 2021, PPG debt stood at US$13.7 billion, a figure that excludes contingent liabilities like US$3.5 billion in compensation owed to former commercial farmers who were affected by the Land Reform Programme of the early 2000s. This will push PPG debt-GDP ratio to over 100%. A ballooning debt-GDP ratio shows a country's capacity to repay its debts, with a rising ratio indicating that debt is growing faster than national income.

Zimbabwe is now hostage to the dire negative impacts of unsustainable debt levels on both the economy and costs of living. Recently too, the African Development Bank (AfDB) indicated that debt distress is affecting the private sector, particularly exporters. Zimbabwean exporting firms are facing difficulties in accessing lines of credit as corresponding international banks are hesitant to provide help due to Zimbabwe's high-risk profile posed by debt distress. Unsustainable debt is also affecting capital accumulation via heightened long-term interest, higher distortionary tax rates, and inflation, and it is constraining the countercyclical effects of fiscal policies.

It is therefore incumbent upon Parliament and the Public Debt Management Office to undertake a comprehensive and independent debt audit that will inform the scale and nature of the country's debts. An audit will also become a building block to facilitate transparent discussions about the legitimacy of certain debts like the Trafigura debt and whether it is in the public interest to use taxpayers' money for their repayment. Again, it remains incumbent upon government and Parliamentary oversight bodies to explore sustainable means of contracting, managing, and repaying public debt, that is, it should establish and execute a strategy that ensures that its financing needs and its payment obligations are met at the lowest possible cost. The use of mineral resources to accrue or repay debts which benefitted the few instead of securing the future for the sake of the many, only serves to entrench intergenerational poverty and inequality. Zimbabweans deserve better than harmful secretive debt deals.

2. Child Labour and Drug Abuse: The Twin Threats to Optimum Human Capital Development

Zimbabwe`s stated ambition of becoming an upper-middle income society will never materialise if youths who are supposed to be the drivers of the vision are excluded from national developmental discourse and human capital development processes.

Child labor has continued to grow in Zimbabwe despite a myriad of legal, regulatory, and institutional frameworks against the same. Allegations have been levelled against emerging sugarcane farmers in Chiredzi over the use of child labor in sugar cane plantations[3]. On the 26th of April, the Parliamentary Thematic Committee on Human Rights made a visit to Chiredzi, Mkwasini and discovered that approximately 300 children are working in sugar cane fields[4]. The local department of Social Welfare has been accused of giving a blind eye to this act of gross human rights that has proliferated unchecked. It is believed that the increase in child labor has been fueled by a rise in child marriage. Children in child headed households have themselves been waylaid into early child marriages for lack of care and support.

A rapid survey conducted by ZIMCODD in Mkwasini discovered that, many children see marriage as an escape route out of poverty. Ironically, rather than the marriage institution to provide safe sanctuary for children, child marriage has become a haven of child vending, child labor, poverty, misery, and unhappiness. The normalization of children working as vendors, field workers and other informal occupations is a clear manifestation of government's failure to provide effective child protection services.

Within the broader context of a lack of public care and support, young people are increasingly resorting to drugs in order to cope with tough socio-economic challenges. According to the Zimbabwe National Drug MasterPlan (2021-2025), many youths see drugs as a sanctuary to the social and economic challenges they are encountering. The Zimbabwe National Drug MasterPlan states that, alcohol and drug abuse have undermined human capital development and they account for over 70% of mental health problems in the country. At the same time, the World Health Organisation's report titled Mental Health Among Young People in African Region states that, Zimbabwe has the highest number of 15 to 19-year-olds in Africa who engage in heavy "episodic drinking", at 70.7% among males and 55.5%[5] among females. Some of the life-destroying and even lethal drugs stated in the report include, mbanje (marijuana), crystal methamphetamine (also known as, "mutoriro", "dombo", or "guka"), also ganja cakes, BronCleer cough syrup (bronco), and illicit alcohol popularly called "musombodhiya".

It is critical now more than ever for the government to note the positive correlation between child labour, drug abuse and its policies of austerity which have taken away crucial care and support services for young people and impeded the optimum development of Zimbabwe's human capital base. If Zimbabwe is to attain vision 2030 and the National Development Strategy 1 (NDS1) priority area 7 which focuses on Human Capital Development and Innovation, it must re-orient it`s policy approach

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[3] https://masvingomirror.com/sugarcane-farmers-fueling-child-labour/

[4] https://masvingomirror.com/sugarcane-farmers-fueling-child-labour/

[5] https://www.youtube.com/redirect?q=https%3A%2F%2Fwww.who.int%2Finitiatives%2Fwho-special-initiative-for-mental-health

and take cognizance of the fact that the youths are the drivers of national development and growth who must be prioritised through youth focused policy frameworks and budget allocations.

3. Community Healthcare Workers go the Extra Mile

Zimbabwe joined the world in commemorating Worker's Day on the 1st of May 2022. With this in mind, it is important to celebrate the work of some of the unsung heroes in our communities.

Community health care workers in Harare's southern suburbs including Glenview, Budiriro and Highfield spent the long weekend carrying out home visits and follow ups on their patients. Many of these visits comprised of follow ups on People Living With HIV/AIDS particularly those who have been defaulting on their treatment, while also raising community awareness on the importance of taking treatment regularly as advised by medical practitioners.

Community health workers are trained frontline public health workers, who serve as a bridge between *communities*, health care systems, and state health departments. This enables them to facilitate access to services and improve the quality and cultural competence of service delivery.[6] Community health workers also build individual and community capacity by increasing health knowledge and self-sufficiency through a range of activities such as outreach, community education, informal counselling, social support and advocacy.[7] They play an integral role in helping public health systems to become more culturally appropriate and relevant to the people.

In Zimbabwe, community health workers' programmes play an important role in HIV service delivery, particularly under the current focus on maximising population-level coverage of testing and treatment. According to the United Nations International Children's Emergency Fund (UNICEF), despite efforts by government and community health workers, only 26% of the population access HIV- prevention programmes. 1/3 of all new HIV infections are in adolescents and youth aged between 15-24 years, with 13% of adult HIV prevalence. There is 90% coverage of maternal antiretroviral treatment (ART), however the 8% mother-to-child transmission rate remains high.[8] This has increased efforts by the Ministry of Health in collaboration with various funding partners to capacitate community health workers to work in communities in the fight against HIV/AIDS.

While the use and work of community health workers is commendable, it is not without controversy and challenges. Concerns have been raised about poor remuneration, lack of opportunities for career advancement, and potential exploitation of predominantly poor and female volunteers. Already, women bear the brunt of unpaid care work which includes caring for children, the sick and the elderly. This is often left out of policy considerations, and this is further compounded by the fact that it is difficult to measure and equate care work to monetary value. Gender inequality in unpaid care work is the missing

[6] Busza, J., Dauya, E., Makamba, M. *et al.* "I will not stop visiting!" a qualitative study of community health workers' reluctance to withdraw household support following the end of a community-based intervention in Zimbabwe. *BMC Health Serv Res* 18, 718 (2018).

[7] American Public Health Association, 2008.

[8] https://www.unicef.org/zimbabwe/hivaids.

link that influences gender gaps in labour outcomes and while community health workers are remunerated, they remain underpaid and undervalued.

With the above in mind, ZIMCODD proffers the following recommendations:

- Reducing the level of discrimination in social institutions which encourages gender roles to evolve allowing for more opportunities for the share of unpaid care work to be redistributed between the genders. It is therefore important to recognise the economic contribution of unpaid care work, beyond matters pertaining to devolution of marriage, measuring it using time-budget surveys and embedding time-use modules within surveys.
- Continued advocacy for women's rights across all sectors, including gender parity in representation and decision-making as it has been evidenced that when discrimination against women in social institutions is lower, the distribution of caring responsibilities between genders is more equal.
- Community health workers must be provided with continuous training for career development in order to increase knowledge and skills and facilitate opportunities for career advancement.
- Government through the Ministry of Health and Childcare must ensure better access to public services, to allow for better work-life balance, especially for women. Failure to provide, regulate and fund healthcare services increase the burden for unpaid and/or underpaid care work for women.

4. Zim government wrong to mortgage minerals to settle Trafigura debt

Latest press reports allege that the Zimbabwean Government (represented by the Minister of Finance and Economic Development) discussed a deal to pay US225.6 million to Trafigura for unpaid fuel bills dating back to 2016. The US$225.6 million is an additional debt stock on the already unsustainable public debt standing at 95% of the GDP as reported in the NDS1 Monitoring Report compiled by ZIMCODD (2022).

This development goes against the tenets/expectations of the NDS1 whose premiere is to maintain stable economic fundamentals premised on observing the SADC public debt benchmark of at most 60% of GDP. The towering debt ratios have a damaging effect on economic growth as resources committed to debt servicing are an opportunity cost for capital investment in the economy especially infrastructure development, acquisition of medical equipment, paying a living wage to civil servants, addressing power outages and investing in water infrastructure. Whereas the Trafigura deal was captured by private media, state media outlets did not report the same implying government's tendency to conceal most public debt contracts to the public. In 2019, it took a High Court directive for the Minister of Finance to publicize the borrowing activities of the Second Republic. This implies that, besides the quantum of known public debt, there is probably some 'hidden' debt contracted outside the knowledge of the parliament and the public at large. This calls for a religious observation of the constitutional processes and disclosure requirements associated with public debt.

Besides the public debt escalation threat from the Trafigura deal, the pact also raises concerns on natural resource mortgaging by the government in its quest to service the innumerable debt contracts that it is involved in. The debt agreement privileges Trafigura to buy gold and nickel produced by a Kuvimba, a mining company largely owned by the government. The mortgaging of minerals is the same as discounting the actual worth of minerals in exchange for lines of credit. This normally is associated with rushed mining concessions that fleece the locals of the actual value of the minerals and the developmental impact of the same. This spirals corruption, mineral smuggling, ill-transparency and distorts proper governance of natural resources. These ills obliterate the contribution of mining to the GDP and requires an investment in boasting transparency and seeking fairness in the trade on natural resources for the benefit of all Zimbabweans.