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Nexus between COVID-19 Public Debt and Social service delivery in Zimbabwe

DEBT AND SOCIAL SERVICE DELIVERY IN ZIMBABWE

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Nexus between COVID-19, Public Debt and Social Service delivery in Zimbabwe

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Executive Summary

This paper sought to provide an understanding of the connection between COVID-19, Debt, and Social Service Delivery (SSD) in Zimbabwe. The study was conducted mainly through desk research, including an extensive review of relevant literature and key informant interviews. Pandemics like COVID-19 increases public debt which in turn lowers economic growth (GDP), exacerbating poverty and inequality. Debt reduces the capacity of the State to respond and discharge people's constitutional economic and social rights. COVID-19 exacerbated underfunding and exposed dilapidated health and education sector, undermining the right to health and education for many people. It decreases the well-being of citizens and increases their tax burden which is being transferred to future generations. The study also noted that prior to the COVID-19 pandemic, Zimbabwe was already debt distress exacerbated by the opaque loan contraction process. The external debt burden was excessive and the country was incurring arrears (constituting over 70% of the external debt), the overdraft at the Reserve Bank of Zimbabwe far exceeded the 20% limit and the public debt to GDP ratio exceeded the 70% limit prescribed by Public Debt Act (2015). Despite having a sound legal framework on public finance management (PFM), its implementation has been characterised by a piecemeal approach and adherence to the principles enshrined in the constitution and other laws has not been satisfactory. The COVID-19 pandemic has further exposed the country into distress (domestic debt increased by 25.1% and external debt increased by 29.6%) as there was pressure for financial resources to deal with the pandemic resulting in growing debt. The COVID-19 pandemic has further exposed Zimbabwe to corruption and inefficient management of public resources resulting in dwindling revenue and poor service delivery. To improve the quality of social service delivery (SSD), restore growth and attract investment, this calls for transparent loan contraction processes, prudent fiscal, monetary and debt management policies reinforced by external support and debt relief. The Special Drawing Rights (SDRs) allocations of US$961 million must be used prudently, transparently with utmost accountability, to support the social sectors namely health, education, and the vulnerable groups.

Key Words

Covid-19; Prudent Debt Management; Public Finance Management; Health; Education; Zimbabwe

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AfDB	Africa Development Bank
AFRODAD	African Forum and Network on Debt and Development
OAG	Office of the Auditor General
CRF	Consolidated Revenue Fund
DSSI	Debt Service Suspension Initiative
ESAP	Economic Structural Adjustment Program
GDP	Gross Domestic Product
HIPC	Highly Indebted Poor Countries
IDA	International Development Association
IFFs	Illicit Financial Flows
IMF	International Monetary Fund
LMICs	Lower-Middle-Income Countries
MoFED	Ministry of Finance and Economic Development
PDM	Public Debt Management
PFM	Public Finance Management
PPGD	Public and Publicly Guaranteed Debt
RBZ	Reserve Bank of Zimbabwe
SADC	Southern African Development Community
SDGs	Sustainable Development Goals
SDRs	Special Drawing Rights
SSA	Sub Saharan Africa
SSD	Social Service delivery
UNICEF	United Nations Children's Emergency Fund
WBG	World Bank Group
ZAMCO	Zimbabwe Asset Management Company
ZIMCODD	Zimbabwe Coalition on Debt and Development
ZIMRA	Zimbabwe Revenue Authority

1.

Introduction

The COVID-19 pandemic struck the economy that had already suffered negative GDP growth of about

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The COVID-19 pandemic struck the economy that had already suffered negative GDP growth of about -6.1% in 2019 followed by a further decline of -5.3% in 2020. The negative effects of climate change (in the form of drought, floods and cyclones), social, political and economic challenges continue to haunt the economy. Like any other pandemic, COVID-19 had immediate and long-term social, political and economic impacts. The immediate impact of the COVID-19 pandemic was to overstretch the health expenditure but at the same time it disrupted economic activities which increased poverty and vulnerability. It affected people differently with women, children, poor households, persons with disabilities and people living with HIV and AIDS most adversely affected. About 67%[1] of the population is below 35 years and they rely mostly on government for social services such as water, sanitation, health and education. Zimbabwe has a dual economic structure with the informal sector accounting for 76% of employment mainly women and youth. The COVID-19 affected contact intensive industries more than other sectors which had a spillover effect on women who are disproportionately overrepresented in such sectors. With the losses in formal jobs due to COVID-19 the informal sector swelled

1 *ZIMSTAT (2019) "Updated 2012 population census projections report".*

One positive asset of Zimbabwe is the high enrolment rate in lower secondary school in the country, that rose from

74%
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significantly. On the other hand, agriculture is the back-borne of the economy but with the climate change, rain fed agriculture is now not reliable which affects both the huge population that relies on the sector and food security in the country. About 59% of the population are food insecure forcing them to rely on humanitarian assistance. To make matters worse 70%[2] of the population has no social protection or labour programs and this increases vulnerability as COVID-19 affects livelihoods. There is likely to be increasing tension within society due to widening inequalities in income and access to basic social services such as health, water, sanitation and education. The immediate challenge for the state was to provide fiscal resources to deal with pandemic and to provide stimulus for recovery of economic activities within the principles of public finance management. In doing so the government decisions and course of actions to deal with these challenges caused by COVID-19 would obviously affect debt and social service delivery.

The health sector pre-COVID-19 was facing challenges that include lack of adequate resources as well as a host of institutional and governance issues all of which render service delivery problematic. The health system is beset by periodic strikes by health workers over remuneration, low morale among the workers and poor working conditions. The over-burdened health system faced a dilemma of accommodating those who fall ill with COVID-19. Children and women in need of basic yet essential services are at risk of not receiving them due to reduced access. The costs of the pandemic for children are immediate and, if unaddressed, may persist throughout their lives. Recent analyses suggest that hard won development gains could be reversed, such as on the HIV front and malaria due to diversion of funds towards COVID-19.

Human capital formation was adversely affected with rural areas and low-income households most affected: One positive asset of Zimbabwe is the high enrolment rate in lower secondary school in the country, that rose from 74% in 2003 to 92% in 2013, and youth literacy rate (15-24 years) is at 91.75%, making the youth one of the most educated youth in Africa[3]. In an effort to curb the spread of the disease,

2 *http://hdr.undp.org/sites/default/files/preparedness_vulnerability_dashboards_12.xlsx*

3 *UNESCO, Youth and Changing Realities: Perspectives from Southern Africa, 2019, https://unesdoc.unesco.org/ark:/48223/pf0000370912*

however, the government announced, on March 24, 2020, the indefinite closure of all schools and other institutions of learning and this has repeatedly been done when infection rates go up. Despite the delayed physical opening of educational institutions, some schools were able to restart classes using digital platforms and the government has been using radio and TV for lessons. However, it is predominantly the urban and middle-class households who are able to access this e-learning, with many in low income rural and high-density urban and peri-urban areas being currently left behind due to lack of digital equipment and support structures. Key parastatals such as NetOne and Telone have not been able to ensure comprehensive internet coverage across the country despite government borrowing to equip and upgrade the internet infrastructure. This amplify inequalities in education outcomes and human development. Furthermore, children suffer from unintended consequences of the pandemic response and its socio-economic impact, threatening their wellbeing as a result of malnutrition, poor health outcomes, disruption to learning, threats to their safety, and reduced capacity of their caregivers. In countries like Zimbabwe, evidence suggests that women and girls suffer disproportionate effects of such pandemics as they bear most of the burden of care work, especially during school closures and lock downs or when some family members are undergoing quarantine or isolation. Moreover, women, especially nurses and community social workers are often at the frontline of national response against pandemics such as this COVID-19 and, are more likely to be exposed than men.

The government was overwhelmed by the extra demands for spending brought by COVID-19 and it had to further borrow to supplement. However, Zimbabwe's debt management is characterized by opaque borrowing- including resource backed loans[4], lack of transparency and accountability, weak parliamentary oversight, poor prioritization on usage of borrowed funds.[5] In addition, we have opaque parastatals which are being badly managed providing most of the public services, however these parastatals have a huge debt burden which often falls on the government. Furthermore, the PFM is typified by IFFs, tax evasion and avoidance, tax incentives. This implies more revenue leakages which affects budgets to provide social services will be underfunded. Given this scenario, it will be tempting to contract loans and deal with a pandemic. All these challenges are compounded by legal and institutional frameworks which are poorly implemented as indicated in the auditor general reports[6]

1.1 Background

Pandemics (such as black death, SARS, Influenza H1N1, and Swine Flu) caused short to long-term health, social, political and economic (especially fiscal) impacts to different nations around the world. Efforts made to curb these pandemics include imposing quarantine, preparing health facilities, isolating infectious cases, and tracing

4 *There are claims that Zimbabwe's collateralized loans amount to US$6.8 Billion, most of it being owed to China Exim Bank. Due to the opaqueness of RBLs, it may be difficult to deny or substantiate such claims.*

5 *http://zimcodd.org/wp-content/uploads/2021/02/The-Bane-of-Resource-Backed-Loans-Implications-for-Debt-Sustainability.pdf*

6

contacts involving public health resources, human resources and implementation costs[7]. It also involves health system expenditures to provide health facilities to infectious cases and the arrangement of consumables such as antibiotics, medical supplies, and personal protective equipment (ibid). All these caused fiscal constraints as revenue is required to cover these unplanned/unexpected expenditures. There is undeniable evidence which shows that pandemics can affect PFM through increased expenditure, increase in debt and declined tax revenues among others, which causes fiscal stress. The situation is said to be worse in lower-middle-income countries (LMICs) where fiscal constraints are higher, and tax systems still need improvement.

Faced with such situation nations may be forced to come up with state of emergencies strategies such as borrowing beyond their limits. In most cases proper and agreed principles of public finance management are not followed. The circumstances may not allow oversight institutions such as the parliament to do their oversight roles as such some decisions are made without parliamentary scrutiny. History has shown that nations end up in huge debts which negatively affect the ability of the states to provide adequate and quality social services. Such economic impacts were observed during the Ebola virus in Liberia due to the rise in public health expenditure, economic downfall, and revenue decline due to the government's inability to raise revenue because of quarantine and curfews.[8]

It is important to note that beside the negative effects caused by the above-mentioned pandemics, sovereign debt across sub-Saharan Africa had been increasing due to growing financing needs against the backdrop of insufficient domestic resource mobilization.[9] An estimated one-third of countries in sub-Saharan Africa were either in or at risk of debt distress before the year 2020.[10] Coming of COVID-19 which was more contagious than influenza and swine flu made the situation worse. As at 23 September confirmed cases of COVID-19 had passed 230 million globally, with confirmed deaths standing at more than 4.71 million and more than 6.01 billion vaccination doses have been administered globally.

The COVID-19 pandemic disrupted lives across all countries and communities and negatively affected global economic growth in 2020, beyond anything experienced in nearly a century. Estimates indicate that the virus reduced global economic growth in 2020 to an annualized negative rate of 3.4% to 7.6%, with a recovery of 4.2% to 5.6% projected for 2021.[11] In addition the pandemic had a devastating impact on the health and socio-political fabric of societies across the

7 See note 5

8 Perry J, Sayndee TD. Social Mobilization and the Ebola Virus Disease in Liberia. Rowman & Littlefield (2016).

9 https://www.brookings.edu/blog/africa-in-focus/2021/02/09/debt-sustainability-and-financing-for-development-a-key-post-covid-challenge/

10 https://www.imf.org/en/Publications/Policy-Papers/Issues/2019/12/11/Macroeconomic-Developments-and-Prospects-in-Low-Income-Developing-Countries-2019-48872

11 https://sgp.fas.org/crs/row/R46270.pdf globe. [12; 13] The pandemic then led to the collapse of the economy, drying revenue coffers and countries were forced to further spend on public health measures to save lives and provide social support. This further exerted considerable pressure on the dwindling revenues occasioned by lockdowns and general economic slowdown. Since most Saharan-African-Countries had debt challenges, the pandemic exacerbated and exposed countries to debt vulnerabilities, worsening the debt challenge in these countries.[14] Furthermore, emergency financing provided in the form of loans, public debt increased the debt of the beneficiaries by at least 14.2% points of GDP.[15]

It turned out that countries with a huge debt burden were affected more than the countries with less debt burden. The hardest hit were countries that were showing signs of debt distress and those that were in debt distress. The World Bank Group (WBG) and the International Monetary Fund (IMF) stepped up to financially support developing countries[16] unfortunately Zimbabwe did not qualify to access the facilities due to outstanding arrears owed to the World Bank. Debt service to International Development Association (IDA) countries were suspended to avoid liquidity crisis and debt defaults during the COVID-19 pandemic crisis[17, 18.] It was clear that seventeen Sub-Saharan countries were at high risks of, or already in debt distress and needed deeper support. As such the G-20 Debt Service Suspension Initiative (DSSI) delivered valuable breathing space, alleviating debt service pressure [19 20] at least in the short term. In addition to these DSSI, on 23 August 2021, the IMF implemented a general allocation of SDRs equivalent to about US$650 billion (SDR 456 billion) creating more breathing space.

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12 *Moyo, G. (2020). Financing Woes for Zimbabwe as It Tackles the Spectre of Covid-19. https://cemiunicamp.com.br*

13 *https://www.ictd.ac/event/tarc-online-workshop-covid-19-developing-countries/*

14 *https://www.comesa.int/wp-content/uploads/2020/12/Implication-of-COVID-19-Pandemic-on-Debt-for-Sub-Saharan-African-Countries-USE.pdf*

15 *Eurodad (2020). Six Things You Should Know about COVID-19 and Debt for Developing Countries. https://eurodad.org/covid19-debt-FAQ*

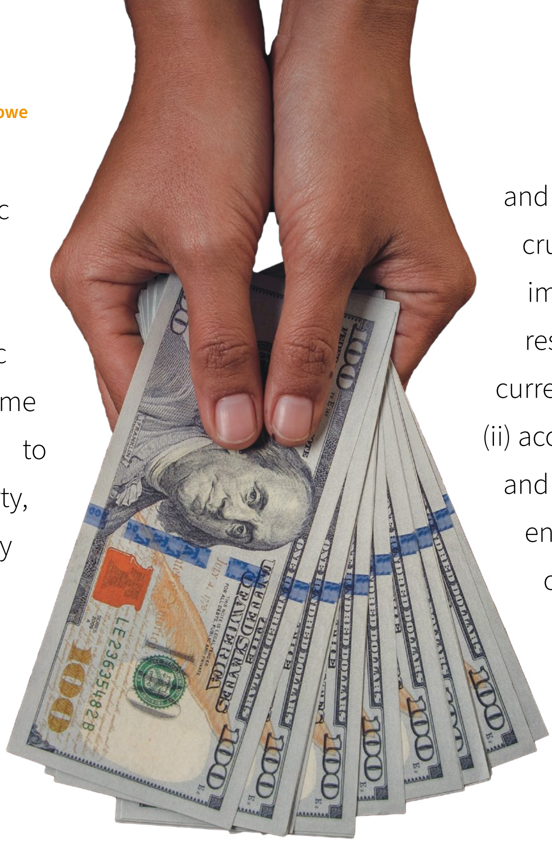
16 *https://www.worldbank.org/en/news/press-release/2020/04/17/world-bankimf-spring-meetings-2020-development-committee-communique*

17 *https://datatopics.worldbank.org/debt/ids/*

18 *https://www.worldbank.org/en/topic/debt/brief/covid-19-debt-service-suspension-initiative*

19 *https://www.imf.org/en/News/Articles/g2021/04/14/pr21108-sub-saharan-africa-navigating-a-long-pandemic*

20 *https://www.imf.org/en/Publications/REO/SSA/Issues/2021/04/15/regional-economic-outlook-for-sub-saharan-africa-april-2021*



Under such pandemic situations sound PFM from policy makers facing rising demands for public support and services become crucial. They are critical to eradicate extreme poverty, promote shared prosperity and enable the efficient and effective use of scarce public resources to deliver public services.[21] Weaknesses in the management of public resources can have wide-ranging implications for development, including by driving a wedge between public policy and its implementation (ibid). The financial implications of past public-sector spending and revenue-raising are of further importance.[22] For developing countries to respond to the crisis, they need strong and flexible PFM to efficiently and effectively reallocate resources, control spending, improve targeting. To the extent that the pandemic increases the need to borrow, this needs to be done in a prudent and measured manner to control both fiscal cost and risk. As governments rapidly shift policy and spending in the face of the pandemic, robust, responsive, and flexible PFM systems are crucial. Such systems are important for (i) using scarce resources efficiently for both current and capital spending, (ii) accelerating budget execution and funds release to help ensure the ongoing delivery of essential and emergency public services, and (iii) managing the costs and risks associated with inevitable increases in indebtedness.[23]

Zimbabwe has been in debt distress since the year 2000, when the country first defaulted on its external obligations to the International Financial Institutions. The economic and climate shocks caused extreme poverty and inequality to rise sharply and in 2019 the economy contracted by 6.0%.[24] Poor revenue collection, management and use already existed prior to 2020. The Auditor General's reports show persistence of Illicit Financial Flows (IFFs), mismanagement of funds, corruption, diversion of funds, overpricing of purchases and bad management of parastatals.[25;26; 27] As at 22 September 2021, Zimbabwe had 128 804

21 *https://www.imf.org/external/pubs/ft/fandd/2015/03/gaspar.htm*

22 *A. R. Prest and D. J. Coppock (eds), The United Kingdom Economy: a manual of applied economics (London: Weidenfeld & Nicolson, 1978) pp. 85–92. https://link.springer.com/chapter/10.1007/978-1-349-16202-4_5 accessed: 16 July 2021.*

23 *https://ieg.worldbankgroup.org/evaluations/public-financial-and-debt-management*

24 *https://www.afdb.org/en/countries/southern-africa/zimbabwe/zimbabwe-economic-outlook*

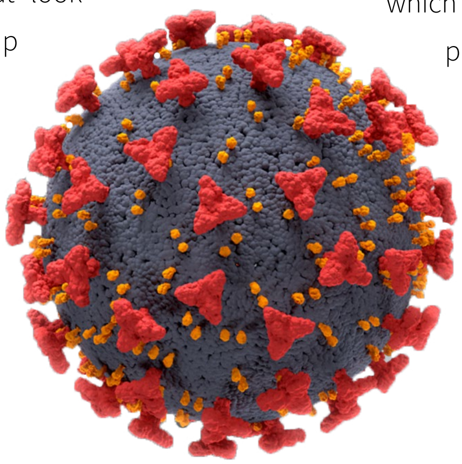
25 *During the PAC2020, Dr. Ezra Madzivanyika from the Africa Tax administration (ATAF) presented his paper which showed that Zimbabwe had lost US$12 billion in the previous three decades due to IFFs: US$2.85 billion from 2009-2013 of which mining contributed 95%, US$3 billion from 2015 to 2017, and on average about US$150 million was lost monthly in 2015 due to IFFs.*

26 *Moyo, G. (2020). Financing Woes for Zimbabwe as It Tackles the Spectre of Covid-19. https://cemiunicamp.com.br*

27 *15 May 2019, IMF began SMP-" Government's economic reform agenda was off track, owing to policy mis-steps and governance and corruption challenges, as well as "vested interests" stifling reforms"*

confirmed cases, including 121 653 recoveries and 4 592 deaths. The country had to resort to domestic borrowing since it had limited access to external loans. At least in 2021 Zimbabwe received Special Drawing Rights (SDRs) allocations of US$961 million which was welcomed as free flow funds. It is against this backdrop that this paper, therefore, seeks to explore the implications of the COVID-19 pandemic on debt and service delivery in Zimbabwe.

There are limited studies that look at the tripartite relationship between COVID-19, debt and social service delivery. Social services are a critical pillar in the fight against COVID-19 and poverty in the country. The study will also help different stakeholders such as civil society organisations (CSOs) and citizens to do evidence/researched based advocacy in order to influence policies and improve the living standards of citizens. It will also enhance understanding of debt and PFM issues and its implications on social service delivery. The research was motivated by the Zimbabwe Multi-Stakeholder Debt Conference which was basically meant to discuss public finance management and development issues in Zimbabwe.



2.

Definitions and general issues around debt, PFM and SSD

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This section will look at the definition and general issues round debt, PFM and SSD. The literature looked at Zimbabwean context regarding these issues.

2.1 Public or Sovereign Debt

Debt is a double-edged sword which if borrowed for productive purposes and in a transparent manner; it has a positive relationship with GDP which generates resources for the government to service the debt and provide social services. However, if debt is borrowed for consumption purpose (not productive) that debt cannot pay itself and will continue to rise without improving the lives of citizens and it will negatively affect GDP lowering government revenue to service it and to provide service delivery. [28] Debt taken for development may not be bad however, it is also critical that governments are able to continue servicing their debt and that their debt burden remains sustainable (ibid). In this study debt sustainability is a country's ability to meet its current and future debt service obligations in full, without recourse to debt relief, rescheduling or accumulation of arrears. Unsustainable external public debt has negative implications on the socio-economic development of debtor countries. Where a country is unable to fulfil its financial obligations and debt restructuring is required.[29]

There are a lot of empirical studies on the relationship between public debt and economic growth or gross domestic product in advanced and emerging economies.[30] [31] Some support a negative relationship between public debt and economic growth and the relationship is said to be strong when public debt reaches 100% of GDP.[32] An investigation on the impact of government debt on GDP growth in European countries found out that the impact of debt on economic growth is positive and statistically highly significant.[33] Studies in Zimbabwe also shows negative effect of public debt on economic growth[34; 35; 36] The optimal growth-maximising public debt threshold in Zimbabwe was estimated at a public debt-

28 IMF.org (2021) The IMF and Sovereign Debt. Available at: https://www.imf.org/en/Topics/sovereign-debt Accessed: 15 July 2021

29 https://www.imf.org/external/pubs/ft/fandd/2020/09/what-is-debt-sustainability-basics.htm

30 Chudik et al., 2017; Kourtellos et al 2013; Baum, 2013; Alfonso 2013; Alfonso 2015; Ghosh et al 2013); Carmen et al 2010; Checherita et al, 2012), Karadam, 2018;

31 Reinhart, C. and Rogoff, K. (2010). Growth in a Time of Debt, American Economic Review, American Economic Association, 100 (2), pp. 573-578.; Kumar, M. and Woo, J. (2010). Public Debt and Growth, Working paper, IMF Publications.; Checherita, C. and Rother, R. (2012). The Impact of High and Growing Government Debt on Economic Growth: An Empirical Investigation for the Euro Area, European Economic Review, 56, pp. 1392-1405.; Cecchetti, S., Mohanty, M. and Zampolli, F. (2011). The Real Effects of Debt, Working Paper, European Central Bank.

32 Reinhart, C. and Rogoff, K. (2010). Growth in a Time of Debt, American Economic Review, American Economic Association, 100 (2), pp. 573-578.; Kumar, M. and Woo, J. (2010). Public Debt and Growth, Working paper, IMF Publications.; Checherita, C. and Rother, R. (2012). The Impact of High and Growing Government Debt on Economic Growth: An Empirical Investigation for the Euro Area, European Economic Review, 56, pp. 1392-1405.; Cecchetti, S., Mohanty, M. and Zampolli, F. (2011). The Real Effects of Debt, Working Paper, European Central Bank.

33 Stella Spilioti (2015). The relationship between the government debt and GDP growth: evidence of the Euro area countries. Investment Management and Financial Innovations, 12(1-1), 174-178 Accessible at https://www.businessperspectives.org/index.php/journals?controller=pdfview&task=download&item_id=6451

34 Matandare, M.A., & Tito, J. (2018). Public Debt and Economic Growth Nexus in Zimbabwe. Journal of economics and sustainable development, 9, 84-89. Available at https://core.ac.uk/download/pdf/234648137.pdf

35 Saungweme, Talknice & Odhiambo, Nicholas M, 2020. "Sovereign debt and economic growth nexus in Zimbabwe: A dynamic multivariate causality test," Working Papers 26714, University of South Africa, Department of Economics.

36 Saungweme, T. and N.M. Odhiambo (2018), "Debt Dynamics in Zimbabwe: Reforms, Trends and Challenges", The International Journal for Quality Research, 12(1), 95-110.

to-GDP ratio ranging from 45-57% beyond that debt lowers growth.[37; 38; 39; 40; 41] The relationship between debt and economic growth in Zimbabwe is summarised in **Table 1**.

Table 2.1: Zimbabwe Studies on the Relationship between Debt and Economic Growth

Study	Sample (period)	Debt Effect (Threshold)
T. Saungweme & S. Mufandaedza (2013)	ZWE (1980-2011)	Negative (N/A)
G. Wellington, F. Chirowa, J. Nyamapfeni (2015)	ZWE (1980-2013)	Negative (N/A)
N. Mupunga & P. le Roux (2015)	ZWE (1980-2012)	Negative (45-50%
Petronella Mavhinga (2015)	ZWE (1980-2013)	Negative (N/A)
M. Matandare & J. Tito (2018)	ZWE (1980-2016)	Negative (N/A)
B.T. Mazorodze (2020)	ZWE (1980-2016)	Negative (57%)
T. Saungweme & N. Odhiambo (2020)	ZWE (1970-2017)	Negative (N/A)

Source: Compiled by author from different studies

Zimbabwe has been in debt distress since the year 2000, when the country first defaulted on its external obligations to the International Financial Institutions (IFS).[42] In 2018 Zimbabwe's total debt confirmed by the Minister of Finance was around US$16.9 billion made up of domestic debt estimated at US$9.4 Billion

37 *Mupunga, N. and P. Le Roux (2015), "Estimating the Optimal Growth-Maximising Public Debt Threshold for Zimbabwe", Southern African Business Review, 19(3), 102-128*

38 *Munzara, A.T. (2015). Impact of Foreign Debt on Economic Growth in Zimbabwe. Journal of Economics and Finance, 6(5), 87-91.*

39 *Saungweme, T. & Mufandaedza, S. (2013). An empirical analysis of the effects of external debt on poverty in Zimbabwe: 1980–2011.International Journal of Economics and Research,4(6), 20-27.*

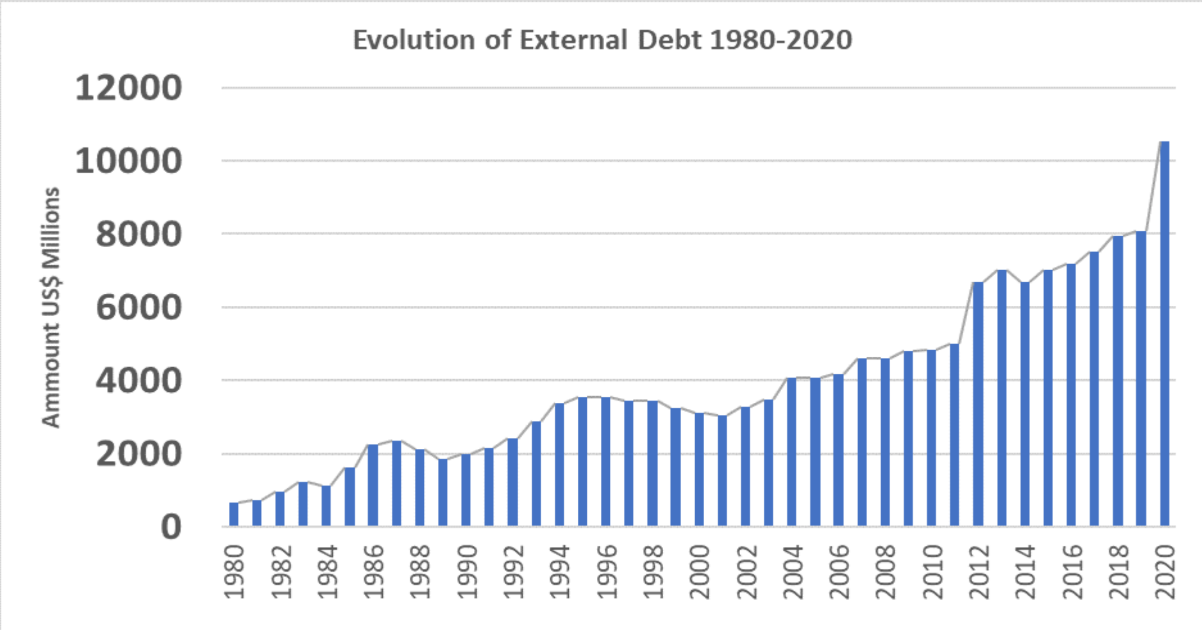
40 *Mazorodze, B. T. (2020). Re-visiting the External Debt-Economic Growth Question in Zimbabwe. Journal of Economics and Behavioural Studies, 12(2(J), 1-8. https://doi.org/10.22610/jebs.v12i2(J).2939*

41 *MAVHINGA, P. (2015) The Impact of external debt on economic growth in Zimbabwe. KDI School. Available at: https://archives.kdischool.ac.kr/handle/11125/30715.*

42 *Chigumira, G., Mupunga, N., & Chipumho, E. (2018). An Assessment of Arrears Clearance and Sustainable Debt Options for Zimbabwe. Harare: ZEPARU/ACDF.*

and external debt at US$7.5 billion.[43] The 2021 National Budget indicated that Total Public and Publicly Guaranteed (PPG) debt is estimated at 78.7% of GDP by the end of 2020, which is above the SADC recommended threshold of 60% of GDP and the Public Debt Act threshold of 70% of GDP. External debt is dominated by official creditors both bilateral and multilateral with the bulk of the debt in arrears[44]. External debt stood at US$8 billion as at end 30 September 2019.[45]

Figure 2.1: Evolution of external debt 1980-2020



Source: PDMO, 2021

The state inherited debt from the Rhodesian government of about US$700 million.[46] Since then, government has been on a borrowing spree to finance development expenditure, to buy military weapons and food among others[47]. Around 1990 Zimbabwe received some bailout loans from the World Bank and IMF on the condition of cutting public expenditure, removing subsidies and liberalizing the economy (ESAP).[48] Over the period 1980-2000, the country had a good record of settling its external payments to multilateral and bilateral creditors and did not experience major challenges with external payment arrears. Political relations with creditors were more important during this period. The state used to borrow from the Paris Club and Multilateral creditors. Non-Paris Club creditors came into play

43 *Zimpapers TV Network (2020) The National Purse 7 October. Available at: https://www.facebook.com/ZTNnews/videos/351681155949165 (Accessed: 15 July 2021).*

44 *https://www.imf.org/external/pubs/ft/dsa/pdf/2020/dsacr2082.pdf*

45 *Government of Zimbabwe (2019). The 2020 Budget Speech by the Minister of Finance. Harare: Parliament of Zimbabwe. http://www.veritaszim.net/node/3791*

46 *Jones, T. 2011. Uncovering Zimbabwe's debt: The case for a democratic solution to the unjust debt burden, Jubilee Debt Campaign, London N1 6HT.http://www.rhodesianstudycircle.org.uk*

47 *https://www.opendemocracy.net/en/oureconomy/zimbabwes-odious-debts/*

48 *http://www.jubileedebt.org.uk/countries/zimbabwe*

from 1999, private creditors surfaced from 2014 going forward.[49] Some of the external debt in the 1980s was productive but the terms and conditions were prohibitive which Zimbabwe failed to service.[50] The current external debt overhang has its roots from the 1990s, when a combination of high debt service obligations, fiscal deficits, stunted growth and constrained access to new external financing culminated in a net outflow of resources from the country, with the consequence of default by 2000 (ibid).

Another major contributor was the commitments made by government to the DRC war in 1999 which costed around US$3 million[51.] The debt situation was worsened by the economic crisis in 2000, land reform programme, depressed exports, and stagnated growth. The country's external payment arrears continually increased from US$109 million in 1999 to US$6.34 billion in 2020. The rising interest on the principal amount borrowed will divert fiscal revenue from expenditure in health, social services and infrastructure among other key sectors.[52] It is important to note that some debts were used productively for example Hwange Power Station was funded by loans but it continues to underperform. There were some quasi-fiscal operations by RBZ where people were given farm implements purchased by borrowed money yet no one was asked to repay although people had the capacity.[53] Other government programmes that were consumptive in nature such as the Basic Commodities Supply Side Intervention (BACOSSI) programme attributed to an increase in government debt[54] and the programmes were not transparent in the selection of beneficiaries. It is also important to note that there are other loans like the resource backed loans, whose figures are not in the public domain. This means an understatement of the actual size of the debt and its effects on the economy and future generations.

One of the major contributors to the domestic debt was the war vet pay out of ZW$50 000 each, constituting 3% of GDP and leading to the Black Friday (14th November 1997).[55] As indicated above, the crisis started in 2000 and the country had limited external resources which forced it to rely on issuing treasury bills and central bank advances. The domestic debt increased by 3318% from US$275 Million in 2012 to US$9.4 billion in 2018.[56] The greater part of the domestic debt was consumptive, used to pay wages and salaries of civil servants (ibid). Quasi fiscal operations by RBZ, recapitalisation of RBZ and issuance of government paper to banks through Zimbabwe Asset Management Company (ZAMCO) also contributed to the increase of domestic debt (ibid). The expansionary fiscal stance led to the

49 *Government of Zimbabwe (2019). The 2020 Budget Speech by the Minister of Finance. Harare: Parliament of Zimbabwe. http://www.veritaszim.net/node/3791*

50 *Chigumira, G., Mupunga, N., & Chipumho, E. (2018). An Assessment of Arrears Clearance and Sustainable Debt Options for Zimbabwe. Harare: ZEPARU/ACDF.*

51 *http://www.reliefweb.int/report/angola/zimbabwe-government-defends-drc-intervention*

52 *Chigumira, G., Mupunga, N., & Chipumho, E. (2018). An Assessment of Arrears Clearance and Sustainable Debt Options for Zimbabwe. Harare: ZEPARU/ACDF.*

53 *https://bigsr.africa/bsr-exclusive-beneficiaries-of-the-rbz-farm-mechanisation-scheme/*

54 *https://allafrica.com/stories/200809291049.html*

55 *On that day the Zimbabwe dollar crashed 72% and the stock market tumbled by 46%.*

56 *Chigumira, G., Mupunga, N., & Chipumho, E. (2018). An Assessment of Arrears Clearance and Sustainable Debt Options for Zimbabwe. Harare: ZEPARU/ACDF.*

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government's absorption of domestic capital, exacerbating the dollar scarcity in the economy, and crowding out the private sector (ibid). Domestic debt was about ZWL$8.8 billion in June 2019, which translated to about 13% of total debt and 37% of the Gross Domestic Product. The domestic debt figure, however, significantly lowered following a landmark ruling by the Supreme Court in January 2020.[57; 58] The SI abolished the multicurrency regime and reintroduced the Zimbabwe dollar (ZWL)(ibid). The government benefited from domestic debt being eroded by the massive depreciation of the Zimbabwe dollar against the US dollar which further threatened Zimbabwe's country risk profile (ibid). Some of the debt was used for fuel and mealie-meal subsidies, command agriculture which was heavily politicised and had a lot of leakages[59]. Furthermore, parastatals have also generated a lot of debt that ended up on government books through guarantees and assumptions.

Prior to COVID-19 Zimbabwe had some debt challenges. Some of the challenges that were noted by IMF (2019) in regards to Debt Management include the following: a) A large domestic public debt resulting from the debt issuances to address the government's obligations: recapitalization of the RBZ, financing of ZAMCO debt assumption of RBZ's debt, and financing of RBZ advances to the Grain Marketing Board , b) Private placements for deficit financing —auctions planned in FY19 but the preparation needs to be improved, c) No interface between DMFAS (Debt Management and Financial Analysis System) and PFMS, d) No published data, e) No debt management policy and implementation documents published, f) PDMO (Public Debt Management Office) and two separate FOs, and g) Sinking Fund—another fund in the system.[60] Other debt challenges are summarised in box 1 below.

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57 *Chief Justice Luke Malaba, in an appeal case involving Zambezi Gas against N.R Barber and the Sherriff of Zimbabwe, ruled that all debts incurred before February 22, 2019 must be settled in the local currency at 1:1 rate against the United States dollars in line with Statutory Instrument (SI) 33 of 2019*

58 *https://businesstimes.co.zw/zim-sitting-on-debt-time-bomb/#:~:text=Zimbabwe%20is%20now%20sitting%20on,which%20is%20in%20debt%20distress.*

59

60 *https://www.imf.org/~/media/Files/Countries/ResRep/ZWE/pfm-workshop-january-2019.ashx*

Box 2.1: Debt Challenges in Zimbabwe

The problem of government debt management in Zimbabwe is attributable to

1. Poor fiscal and monetary policies.[61]
2. Weak government debt policies, undeveloped domestic debt markets, weak institutional and legal public debt frameworks, lack of proper public revenue transparency and accountability as well as weak government loan contraction processes. [62] [63]
3. Lack of clear statutes that govern guaranteed debt of:
   - *i) State-owned enterprises,*
   - *ii) Other government agencies and*
   - *iii) Privately owned companies* [64] [65]
4. The legal framework is not always adequately implemented.
5. Diversion of borrowed public funds from desired national goals into unproductive activities or even personal uses.
6. Debts taken without full assessment of their future implication on the country.
7. The country retained some exclusive borrowing powers to the office of the president and the Minister of Finance.[66]
8. Unsustainable fiscal deficits and quasi-fiscal activities of the RBZ increased domestic and external debt, including through further arrears accumulation[67]
9. Establishing a definitive picture of Zimbabwe's outlook for debt sustainability is challenging given the considerable uncertainty surrounding the estimates of key macroeconomic statistics
10. Investment and growth constrained by external arrears and the consequent lack of access to external finance.
11. Zimbabwe has prolonged arrears on external debt, which has cut off access to official financing
12. Deficiency in respect of the loan contraction process, debt management and respect for the rule of law[68]

Source: Compiled by author from various studies

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61 *International Monetary Fund. (2013 – 2016). Article IV Consultation - Staff Report Press Release; And Statement by The Executive Director for Zimbabwe. International Monetary Fund.*

62 *Blommestein, H., & Santiso, J. (2007). New Strategies for Emerging Domestic Sovereign Bond Markets. Working Paper No. 260. Paris: OECD Development Centre*

63 *African Forum and Network on Debt and Development. (2010). Borrowing Charter. Harare: AFRODAD.*

64 *Zimbabwe Economic Policy Analysis and Research Unit. (2010). Feasibility and Rationale for Establishing a Debt Management Office in Zimbabwe. ZEPARU Discussion Paper (02/10). Harare: Zimbabwe Economic Policy Analysis and Research Unit.*

65 *Zimbabwe Economic Policy Analysis and Research Unit. (2013). Financial Regulation and Supervision in Zimbabwe: An Evaluation of Adequacy and Options. Harare: Zimbabwe Economic Policy Analysis and Research Unit.*

66 *African Forum and Network on Debt and Development. (2011-2015). Country Debt Profiles: Zimbabwe. Harare: AFRODAD.*

67 *https://www.imf.org/external/pubs/ft/dsa/pdf/2020/dsacr2082.pdf*

68 *ZIMCODD (2019). Sustainable and Inclusive Debt Management Framework (SIDMaF): A Civil Society Perspective on Debt Resolution. https://zimcodd.org/?smd_process_download=1&download_id=2650*

External Debt Sustainability Analysis that was done by the IMF in 2019 indicated that Zimbabwe was in debt distress. The external debt burden was excessive and the country was incurring arrears. While the real value of domestic debt has fallen significantly given the high inflation, contingent liabilities (related to a compensation agreement for displaced farmers and additional fiscal costs from debt assumptions for losses following the currency conversion) could sharply increase domestic debt, further aggravating the debt overhang.

Zimbabwe's debt management legal framework is rated quite strongly by development partners such as the World Bank and the Macroeconomic and Financial Management Institute for Eastern and Southern Africa (MEFMI) as one that meets minimum standards for debt management. Unfortunately, the government has not been complying with some of the legislation when it comes to contracting and utilisation of loans. The implementation and adherence to the principles enshrined in the laws has not been satisfactory complied with and debt like RBL has been contracted behind closed doors. Prior to COVID-19 pandemic, the Government of Zimbabwe overdraft at the RBZ far exceeded set limits in the RBZ Act (Chapter 22:15) of 2010.[69] The Government has not been adhering to legal provisions set out in the Public Debt Management Act [Chapter 22:21]. This section provides that Public Debt must not exceed the 70% debt to GDP ratio limit.[70] The country has been operating with unsustainable debt levels that are way above the stipulated margins. The other issue is the failure by the Ministry of Finance to present to Parliament a report on loans raised and guarantees issued by the State and a comprehensive report on public debt. Parliament is on record highlighting breaches of many provisions in the Constitution and Public Debt Management Act by the MoFED.[71] In many instances debt limits have been exceeded without the authority of Parliament which violets section 300 of the Constitution of Zimbabwe. Parliament holds the power of the purse and therefore through its core functions it should first authorise state borrowings.

Zimbabwe have implemented a number of debt resolution strategies listed in **box 5**. In addition, the National Development Strategy one (NDS1) proposes a strategy that involves limiting recourse to Central Bank borrowing and encouraging listing of Bonds on the Securities Exchange Market.

69 *Section 11 of the RBZ Act Lending powers of Bank and loans to Bank employees (1) The Bank shall not— (a) lend or advance moneys to, or directly buy, discount or re-discount bills, notes or other obligations from, the State or any fund established by the State so that the amount outstanding at any time exceeds the equivalent of twenty per centum of the previous year's ordinary revenues of the State;*

70 *Section 11 of the Public Debt Management Act The aggregate of the amounts that may be borrowed in terms of subsection (1)In any financial year by way by way of loans shall not be exceed the limit fixed by National Assembly, which limit the Minister may propose to the National Assembly for approval by resolution or by means of a provision in the Finance Bill Provided : that the limit fixed in terms of this subsection and section 300 (1) of the Constitution may not result in the total outstanding public and publicly guaranteed debt as a ratio of the gross domestic product at current market prices exceeding 70 per centum at the end of any fiscal year, unless the Minister obtains a resolution of the National assembly to do so…"*

71 *https://businesstimes.co.zw/zim-sitting-on-debt-time-bomb/#:~:text=Zimbabwe%20is%20now%20sitting%20on,which%20is%20in%20debt%20distress.*

Box 2.2: Debt Resolution Strategies Post 2000

Since year 2000 Zimbabwe have used the following debt resolution strategies

1. Domestic Debt Restructuring (DDR) 2001-2008, Poor economic performance derailed results
2. Sustainable and Holistic Debt Strategy (SHDS) 2010, No debt was paid
3. Zimbabwe Accelerated Arrears Clearance Debt and Development Strategy (2012)
    a. *Bridging Loans for Debt Repayment*
    b. *Applying the Naples Terms*
    c. *Negotiating for Comparable Debt Relief*
4. Lima Strategy (2015) using
    a. *Domestic Resources*
    b. *Bridging Loan*
    c. *Medium to Long Term Loan Facility*
5. Bali Arrears Clearance Strategy agreed to in October 2018
6. Medium Term Debt Management Strategy (2017-2021)

Source: MoFED, RBZ (ibid)

Generally, most of these various strategies were not successful as Zimbabwe remained in debt distress. A piecemeal approach in the implementation of these strategies has not brought the desired results as the country continues to struggle with its heavy debt burden.

After paying debts owed to the International Monetary Fund (IMF) two years ago and rolling out the Lima Debt Clearance Plan in 2015, the country has failed to live up to its promise, and has been accumulating high interests on the arrears.[72] Under the Lima plan Zimbabwe cleared its arrears with the IMF amounting to US$107.9 million. There is also Medium-Term Debt Strategy (2017-2021) which focuses on the following: foreign financing limited to concessional external financing; limit non-concessional borrowing to finance economically viable projects; prioritising token payments to Multilateral Development Banks (MDBs) and payments to creditors with active portfolios; and Continue re-engaging MDBs and other creditors for a programme.

2.2 Social Service Delivery

The definition of social services varies among researchers and depends on each country's level of institutional development.[73] The United Kingdom uses narrower senses of social services such as personal social service which refers to a support and care service that aims to meet social protection needs.[74] In the United States of America, social service also refers to a narrow sense of service that supports socially disadvantaged groups in terms of social protection, disabilities, and diseases excluding income, education, healthcare, and culture.[75] In Korea it is defined in broad sense as a service socially provided to improve the welfare and quality of life of individuals or society as a whole.[76] In some countries, vouchers are used as a new delivery method to pay expenses directly to social service recipients: the delivery method has shifted from provider-cantered to recipient-cantered.[77] The delivery system can be influenced by political, social, and economic changes.[78] The delivery system exists between service providers in the local community and between service providers and consumers.[79] The service delivery system is, in a way, an organizational linkage between the stakeholders that provide policy services or benefits and between service providers and consumers.[80] In this study social services delivery means delivery of a range of public services intended to provide support and assist the citizens especially the poor and the marginalised groups such as women, youth and people with disabilities. These services include health, education, water and sanitation and study will focus on health and education only, to narrow down the topic and they are crucial and most affected. Furthermore, these are the major equalisers of poverty and inequality.

72 *https://www.thestandard.co.zw/2021/09/05/zim-makes-first-payment-to-paris-club-in-20-years/*

73 *Lee, M., Majer, M. and Kim, B.-Y. (2019) 'The Social Welfare Service Delivery System to Reinforce Sustainable Social Participation', Social Sciences, 8, p. 258. doi:10.3390/socsci8090258*

74 *Cutler, Tony, and Barbara Waine. 1994. Managing the Welfare State: The Politics of Public Sector Management. Oxford: Berg Publishers*

75 *Kendall, Jeremy, Martin Knapp, and Julien Forder. 2006. Social Care and the Non-profit Sector in the Western Developed World. In The Non-profit Sector: A Research Handbook. New Haven: Yale University Press.*

76 *Lee, Jong Soo. 2010. A Study on the Strategy of Korean Post-NPM Reform. Korean Society and Public Administration 21: 29–47.*

77 *Warner, Mildred E., and Raymond Gradus. 2009. The Consequences of Implementing a Child Care Voucher: Evidence from Australia, the Netherlands and USA. Tinbergen Institute Discussion Paper 09-078/3. Hoboken: Wiley Online Library, Available online: https://research.vu.nl/ws/portal-files/portal/2468698/09078.pdf (accessed on 27 July 2021).*

78 *https://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---sro-moscow/documents/publication/wcms_344663.pdf*

79 *Gilbert, Neil, and Paul Terrell. 2002. Dimensions of Social Welfare Policy, 5th ed. Boston: Allyn and Bacon, Ginsberg.*

80 *Yang, Ui Joo, Jo Eun Sook, Ko En Sook, and Ha Jung. 2016. A hermeneutic phenomenology study on the retirement experience of the baby boom generation. Korean Employment & Career Association 6: 63–87.*

The COVID-19 pandemic exposed gaps in social service provision in countries all around the world. In many countries throughout Eastern and Southern Africa, the social service workforce already faced budget and staffing constraints that were stretched even further with increasing reports of child protection risks, family separation, gender-based violence, violation of children rights, social injustice, inequalities and mental health and psychosocial support needs.[81] In March 2020, about 127 million pre-primary, primary and secondary learners were left out of school for months, in some countries for over a year, adding to the 37 million children who were already out of school in the region pre-pandemic.[82] By the beginning of 2021 schools were opened either partially or fully on a rotational basis. However new spikes in infection rates led to yet more country-wide school closures and learning disruptions (ibid). UNICEF encouraged countries to coordinate policy and decision-making; monitor and manage COVID-19 in schools; to have school-based transmission prevention and risk mitigation strategy; and to do consultative and responsive engagement of community stakeholders (ibid).

Debt service crowds out spending in key development areas such as education, health and infrastructure especially in Africa. This can also create uncertainty, deter investment, negatively impact on growth and could reverse some of the developmental gains made over the last couple of years.[83;84] Most countries entered the second wave in a much worse position than the first, with depleted fiscal and monetary buffers, further shrinking resources with which to protect the vulnerable, and additional millions thrown into poverty. In 2020 the World Bank estimated that COVID-19 would push 71 million to 100 million into extreme poverty, measured at the international poverty line of $1.90 per day.[85] Governments are expected to provide social protection to its citizens, these may include protecting labour markets, social insurance, social assistance, protecting the informal sector and child protection.[86]

81 https://www.unicef.org/esa/stories/advocacy-and-innovation-social-service-provision-eastern-and-southern-africa

82 https://www.unicef.org/esa/press-releases/african-ministries-discuss-keeping-school-open

83 *International Monetary Fund (IMF), World Economic Outlook (WEO), (Washington D.C. 2019. April and October)*

84 https://www.tralac.org/documents/resources/covid-19/regional/4223-implications-of-covid-19-pandemic-on-debt-for-sub-saharan-african-countries-comesa-special-report-december-2020/file.html

85 *EVIS RUCAJNADA HAMADEHHAISHAN FU|JULY 08, 2020* https://blogs.worldbank.org/opendata/understanding-global-debt-relieving-covid-19-impact-most-vulnerable *(Author surname, initial. (Year) Page title. Available at: URL (Accessed: 16 July 2021).)*

86 *Devereux and Sabates - Wheeler (2004) define social protection as all public and private initiatives that provide income or consumption transfers to the poor, protect vulnerable against livelihood risks and enhance social status and rights of the marginalised; with the overall objective of reducing the economic and social vulnerability of poor, vulnerable and marginalised groups*

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These initiatives should be flexible, sustainable, cover a lot of citizens, use good governance, must use an integrated approach and supporting staff well-being and health is also critical.[87;88] When a country is heavily indebted, the stress of meeting national needs increases as well. So, factors like health, education, nutrition get negatively affected. The mortality of children and new-born increases; incidences of tuberculosis and higher numbers of death from HIV/AIDS get recorded while the quality of education decreases to mediocrity at times. As such governments must initiate measures to mitigate the risk through prudent management of debt resources and transparent loan contraction processes.[89]

Like any other country Zimbabwe has its Constitutional, Legal and Institutional Frameworks of social service delivery. Section 75 and 76 of the Constitution of Zimbabwe speaks of the right to education and right to health care. Furthermore, section 30 of the same constitution requires the state to take all practical measures, within the limits of the resources available to it, to provide social security and social care to those who are in need. The constitution recognised a three-tier system of governance. In this regard, it recognised national government, provincial and metropolitan councils and local government; broken down into urban councils and rural district councils.[90] The Ministry responsible for social welfare in Zimbabwe is the Ministry of Public Service, Labour, and Social Welfare. This ministry has statutory responsibility for the protection of vulnerable populations in Zimbabwe through its three main departments namely, the Department of Labour; the Department of Social Services and the Department of Disabled Persons Affairs. It operates three parastatals which include National Social Security Authority (NSSA), Premier Service Medical Aid Society (PSMAS), and Zimbabwe Institute of Public

87 *https://www.ajol.info/index.php/ajsw/article/view/202678/191161*

88 *Holliday, Stephanie Brooks, Sarah B. Hunter, Alex R. Dopp, Margaret Chamberlin, and Martin Y. Iguchi, Exploring the Impact of COVID-19 on Social Services for Vulnerable Populations in Los Angeles: Lessons Learned from Community Providers. Santa Monica, CA: RAND Corporation, 2020. https://www.rand.org/pubs/research_reports/RRA431-1.html.*

89 *https://www.afrodad.org/index.php/en/debt-management*

90 *Marumahoko, S., Afolabi, O.S., Sadie, Y., & Nhede, N.T. (2020). Governance and urban service delivery in Zimbabwe. Strategic Review for Southern Africa, 42, 1. May/June 2020, 41-68. ISSN 1013-1108*

Administration and Management (ZIPAM).[91] Prior to COVID-19 pandemic Zimbabwe is on record of failing to meet the Abuja declaration spending 15% of the budget and WHO recommended spending of US$86 per capita or 5% of the Gross Domestic Product (GDP).

Service delivery is an important function in the relation between government bodies and its citizens. Citizens have a right to demand services from the government which meet their needs for fast, accessible, of good quality and at modest cost, and all wrapped in friendly treatment. This applies particularly to the government as a supplier of key public services. The fact that the government is a monopolist in products that are often either not or hardly wanted, gives the government's relationship with the citizens a double loading, and in fact mandates extra effort. Good quality and affordable service delivery is also a condition for the good image of the government. The meaning of good service delivery for the image that citizens have of the government is not always valued fairly. Service delivery is not an isolated thing, but is part of a complex relation between government, society and citizens.

Social service delivery is one of the core mandates of local authorities in Zimbabwe. Zimbabwe's service delivery system has remained poor for some decades.[92] Prior to COVID-19 community schools were in very poor conditions, and health facilities were dangerously distant especially in resettlement areas (ibid). The government also indicated that they need to build about 3000 schools countrywide. Students would walk long distances to and from a few schools whilst also there are long journeys to clinics and hospitals (ibid). There was widespread public despondency over the state of local public service delivery, attributed to dismal municipal performance and underperformance among the three spheres of government.[93] Over 50% of the health budget was being funded by donors while contraceptives were 100% funded by donors. In 2018, the Zimbabwe Coalition on Debt and Development (ZIMCODD) emphasised the need for quality education for the thousands of children who were out of school and decongest the overpopulated schools; and strengthening of the health system by harnessing adequate financing to ensure that all citizens have adequate quality medical coverage. It called for investing in people for social and economic justice. It also indicated that low-income economies affect women more as they are characterized by poor social service delivery.[94]

Challenges around social service delivery in Zimbabwe before COVID-19 include lack of

91 https://www.theindependent.co.zw/2021/04/30/where-are-we-in-terms-of-social-safety-nets-in-zim/

92 https://media.africaportal.org/documents/Challenges_to_Social_Services_Delivery_in_Zimbabwes_Resettlement_Areas1.pdf

93 https://www.jstor.org/stable/pdf/26924805.pdf?refreqid=excelsior%3A895441427175dd422b8e5d12ab2206f2

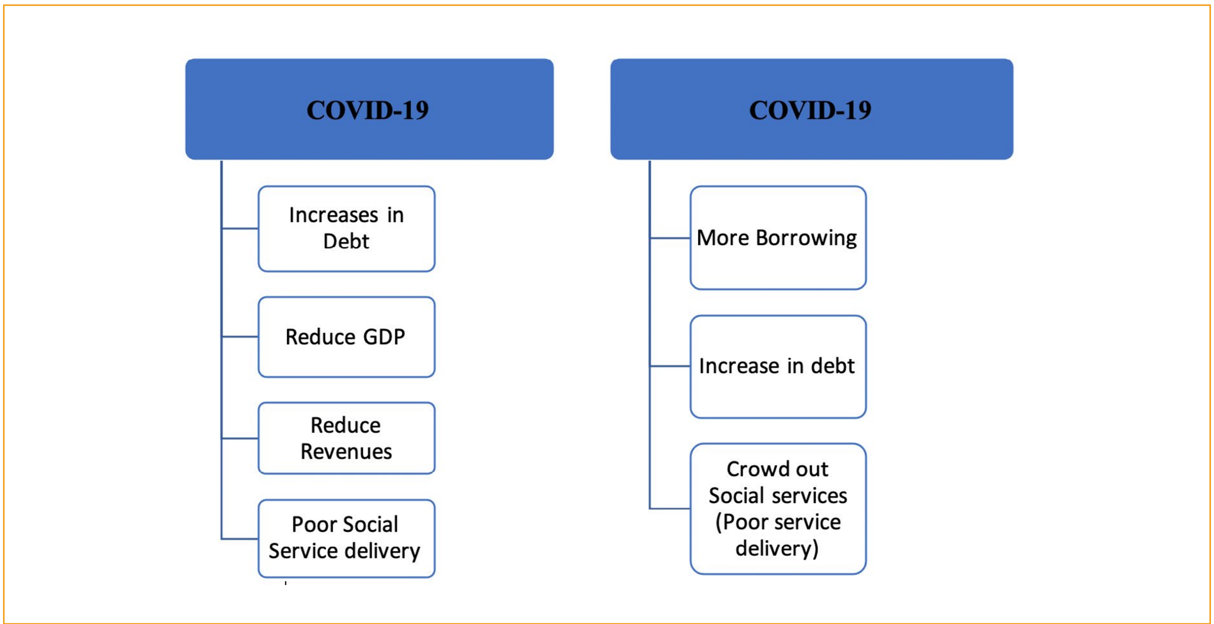
94 https://kubatana.net/2018/09/20/investing-people-social-economic-justice-response-presidents-state-nation-address-18-september-2018/

transparency and accountability in the provision of services, underfunding, incapacitated workers, corruption across board, weak coordination of these humanitarian responses, politicisation on provision of such services, fragmented and silo based social protection schemes, opaque reporting system, good legal and policy frameworks but poor implementation, lack of Specialised Protection System. Zimbabwe's high debt service requirement inhibits future investment in social expenditure such as education and health, thereby perpetuating low productivity and poverty. Prior to the pandemic, social sectors suffered more given the constrained fiscal space the country was grappling with, yet it was expected to service its debts. Further, the challenges highlighted in the Auditor General reports such as subsidising loss-making parastatals, failure to make follow ups on accounted funds has implications on social service delivery. Those funds could potentially be invested in social protection and social service delivery.

2.3 Conceptual Framework

COVID-19 increases public debt, affecting the economic growth (gross domestic product), thereby affecting government revenue and resulting in poor public services (Social services delivery). COVID-19 requires more resources, and for these resources to be availed, there is need for further borrowing that will crowd out social services.

Figure 2.2: Conceptual Framework



Source: Author

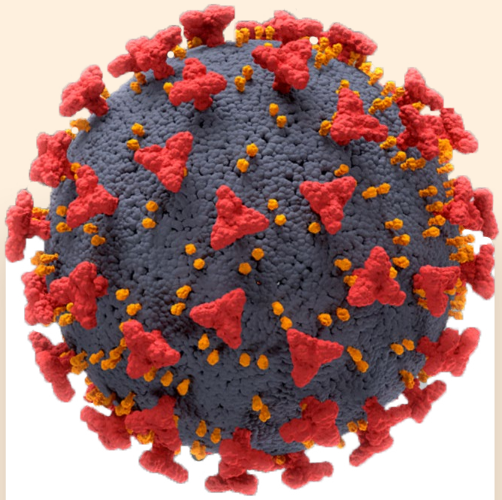
3.

Effect of COVID-19 on Debt and SSD

→

This section summarises the findings from key informant interviews (KIIs), literature and documentary review. While it is appreciated that economic challenges existed before COVID-19 as reviewed by literature and key informants, it turns out that it also exacerbated the dire situation. It was clear that due to COVID-19, Zimbabwe faced expenditure pressure in public health measures to save lives coupled with the slowdown in economic activities following the partial or full lockdowns and general economic slowdown. In April 2020, the government availed about ZWL$500 million (approximately US$20 million) towards the health budget to fight the pandemic and an additional ZWL$50 million (US$2 million) for medical aid for frontline workers. Other measures which were adopted by government in the early stages include expenditure restructuring away from capital projects to health-related expenditures; ring-fencing of the 2% money transfer tax for social protection and other pandemic related expenditures; ZWL$ 50 million (US$ 2 million) for urgent and immediate importation of health-related supplies; immediate hiring of over 4000 health personnel; ZWL$ 200 million (US$ 8 million) per month for a period of three months as cash transfers to an estimated one million vulnerable households; expeditious processing of value-added and corporate tax refunds; suspension of customs duty chargeable on COVID-19 medical supplies; review of procurement rules to expedite purchase of COVID- 19 supplies; and support for local industries with capacity to produce basic food stuffs and pharmaceuticals. All these measures either increased government expenditure or reduced government revenue.

As at 22 September 2021, Zimbabwe had 128 804 confirmed cases, including 121 653 recoveries and 4 592 deaths. By the end of September 2021, the Government had spent about US$127 million towards procurement of almost 16.2 million vaccines and 16.2 million syringes. In addition to resources spent on procurement of vaccines, Government has also spent more than ZWL$38 billion towards the containment of the pandemic in following areas, among others: COVID-19



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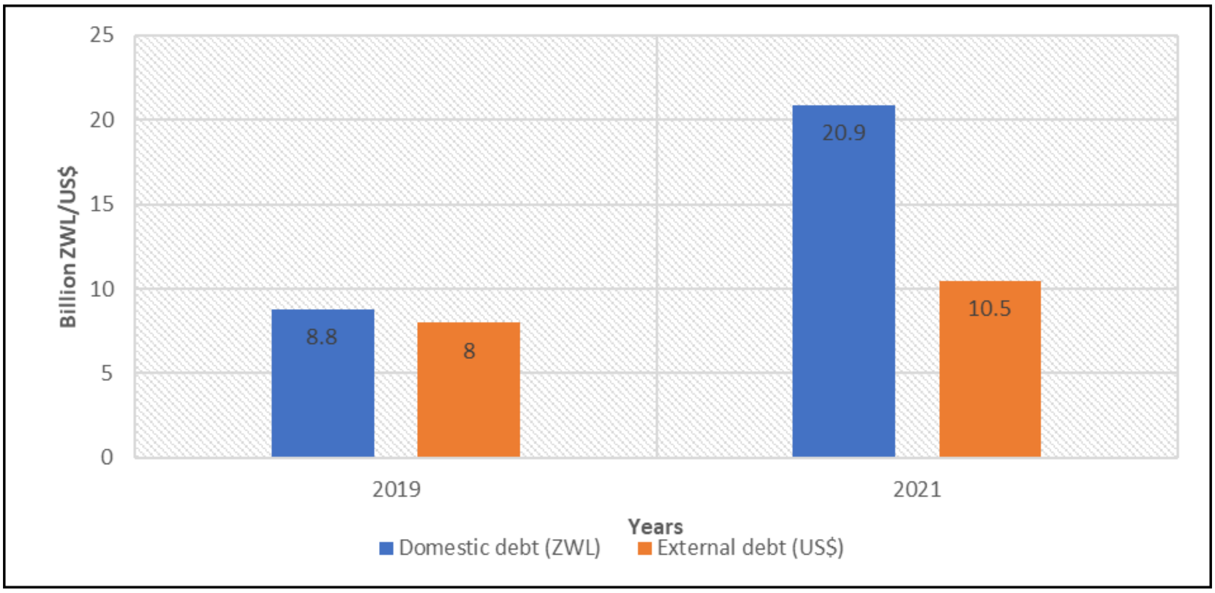
allowances; construction of quarantine centres; handling of vaccines; PPEs and Test kits and reagents. Government also acknowledges the support from Development Partners to complement efforts in addressing the COVID-19 pandemic. By the end of September 2021, the country had received US$137.6 million and 1,085,000 vaccines from the Development Partners to fight the COVID-19. As at 17 October 2021, about 3.2 million first doses had been administered, while 2.5 million people had received their second doses. Zimbabwe is one of the countries doing well on the continent in terms of vaccinations against COVID-19 pandemic. Zimbabwe received a Special Drawing Right (SDR) allocation of US$961 million which is just 9% of external debt. The following sections will discuss the effects of COVID-19 on debt, Public Finance Management and Social Service Delivery respectively.

3.1 Debt

The study noted that the pandemic only exposed and exacerbated the already existing debt problem. Prior to the COVID-19 pandemic, Zimbabwe showed signs of debt distress exacerbated by the opaque loan contraction process. The external debt burden was (and is still) excessive and the country was incurring arrears (constituting over 70% of the external debt), the overdraft at the Reserve Bank of Zimbabwe far exceeded the 20% limit and the public debt to GDP ratio exceeded the 70% limit and also exceeds SADC recommended threshold of 60% of GDP. The study also noted that the country's debt has ballooned (by 1429%) from US$0.7 billion debt inherited from the Rhodesian government in 1980 to an estimated total Public and Publicly Guaranteed (PPG) of US$10.7 billion. This total debt includes external debt of US$10.5 billion and domestic debt of ZWL 20,91 billion as at end December 2020 which is 72.6 % of Gross Domestic Product. In this debt lies the footprint of COVID-19 because as of September 2021, Zimbabwe had spent about US$127 million towards vaccines and syringes. This is in addition to ZWL$38 billion that was spent in an effort to contain the pandemic. In 2020, the Government signed a US$10 million concessionary loan agreement with BADEA for the procurement of PPE and laboratory equipment towards COVID 19. Arrears continue to hurt Zimbabwe as witnessed by tokenistic debt service which amounted to US$20.39 million.[95] However no token payments were made to the three IFIs namely; the World Bank Group (WB), African Development Bank (AfDB) and European Investment Bank (EIB).

As of September 2020, Zimbabwe had a total external debt estimated at US$8.2 billion. This had increased by US$106 million from the 2019 amount of US$8.09 billion and was mainly on account of penalties and interest arrears.[96] Furthermore, the 2021 National budget indicated that, as at 30 September 2020 domestic debt was ZWL$12.5 billion, which was 1.2% of GDP and 1.8% of the total public debt. Total Public and Publicly Guaranteed (PPG) debt was estimated at 78.7% of GDP, which is above the SADC recommended threshold of 60% of GDP and the Public Debt Act threshold of 70% of GDP. Other sources such as IMF SSA Regional Economic Outlook April 2021 indicate that government debt for 2020 was 88.9% of GDP. In 2020 Zimbabwe had external debt estimated at US$8.2 billion of which arrears constitute 77% (US$6.34 billion) of that figure.

Figure 4.1: Change in Debt in ZWL$/US$ 2019-2021



Source: 2020 and 2021 National Budget

95 *International Fund for Agricultural Development (IFAD) (US$2.2 million), OPEC Fund for International Development (OFID) (US$0.92 million), Arab Bank for Economic Development in Africa (BADEA) (US$0.17 million) and China Exim Bank (US$17.1 million). Treasury in 2020 issued guarantees amounting to US$15.18 million (equivalent of ZWL$ 1.292 billion) under the Covid-19 pandemic Recovery and Stimulus Package*

96 *Government of Zimbabwe (2020). The 2021 Budget Speech by the Minister of Finance. Harare: Parliament of Zimbabwe. http://veritaszim.net/node/4603*

The 2021 Midterm Budget Review also highlighted that domestic debt as at end April 2021 amounted to ZWL$20.9 billion.

The government announced ZWL$18 billion[97] (about US$720 million or 9% of GDP) stimulus package on 4 May 2020 to provide liquidity to various productive sectors of the economy. The study also found out that Zimbabwe received a Special Drawing Right (SDR) allocation of US$961 million which is just 9% of external debt which stood at US$10.5 billion as at end December 2020. Figure 3 shows that the domestic debt has increased by almost 138% since June 2019 and the external debt increased by 31% since September 2019. The above debts figures do not include white farmer's compensation debt estimated at US$3,5 billion[98] and resource backed loans, which will increase the debt stock. COVID-19 increased both increased both domestic and external debt, which further affects all factors leading to growth[99]. This has the effect of reducing exports and therefore foreign currency required to pay back the existing external principal debts, penalty and interest[100].

Despite a recent rise in debt levels, the COVID-19 crisis forced many African countries to borrow even further to cope with the increased demands. Not only has the crisis worsened fiscal deficits for African countries, but it limits future borrowing capacity. This puts increased pressure on macro-economic stability and fiscal sustainability, especially due to the need to continue dispensing large amounts of funds to combat the virus. The debt burden is further heightened by often high borrowing interest rates, exchange rates for foreign loans and other influential economic factors.[101] The key findings from key informants' interviews, literature and documentary review are summarised in box 8.

97 *Government of Zimbabwe (2020): Details on the COVID -19 Economic Recovery and Stimulus Package*

98 *MoFED on 21 July 2021 indicated that it had raised about US$1 million from profits raised from Kuwimba to partly pay the debt.*

99 *https://www.imf.org/~/media/Files/Publications/covid19-special-notes/en-special-series-on-covid-19-debt-management-responses-to-the-pandemic.ashx?la=en*

100 *https://www.imf.org/en/Publications/REO/SSA*

101 *https://aercafrica.org/latest-news/impact-of-covid19-on-public-finance-in-africa-challenges-opportunities/*

Box 4.1: Impact of COVID-19 on Debt

1. ***Zimbabwe did not benefit from the debt initiatives*** offered to other developing countries due to its high risk.
2. ***COVID-19 brought pressure to finance health expenditure*** to combat the pandemic. This may have forced the government to get more opaque bilateral loans.
3. ***COVID-19 has a negative effect on economic growth*** which is an important factor in determining the debt sustainability of a nation. Lockdowns and travel restrictions reduced the level of production in Zimbabwe. The study noted that in Zimbabwe debt is beyond the 45-57% of Gross Domestic Product threshold lowering economic growth (GDP).
4. ***Revenue streams negatively affected***- About 98% of the Zimbabwe Budget depend on taxes restriction and lockdowns reduced that taxes that would have been collected the economy was fully functioning. Corporate tax due to shutdowns, lower demand, falling commodity prices -personal tax due to lower earnings - VAT due to fall in consumption.
5. ***Balance of Payments*** - Massive hits to export revenues for commodity exporters, tourism, sharp falls in remittances, FDI, capital outflows. Reserves falling, current account deficits worsening[102]. Yet the nation is in dire need to pay its existing debt.
6. ***Illicit financial flows***- Due to limited check and balance in most organisations and many border posts leakages were on rise. COVID-19 led to shortage or limited staff and sometimes searches at the ports were not being thoroughly done in fear of contracting the virus.
7. ***Weak parliamentary scrutiny on debts***- Working from home, limited staff, travel restrictions meant lock this might have led to debt vulnerabilities.
8. ***Dependence syndrome continues*** - Heavy reliance on debts have forced the MoFED minister to continue to move around begging for loans we heavily depend on.
9. Revenue leakages/ weak DRM compelling Zimbabwe to contract more loans.

Source: Key informants' interviews, literature and documentary review

3.2 Public Financial Management

COVID-19 exposed and amplified existing weaknesses in public finance management (PFM). It also amplified the call for PFM reforms to deal with corruption and illicit financial flows in the country. Financial systems must be improved with the goal of better collecting revenues and distributing these to curb the effects of COVID-19 among the other social and economic needs.[103] It is always important to observe the principles of good public finance management to ensure effective utilization of resources in fighting pandemics like COVID-19.[104] The following subsectors will discuss how COVID-19 have affected revenue collections and revenue management.

102 Countries balance sheets affected – corporates balance sheets affected, and households balance sheets affected too

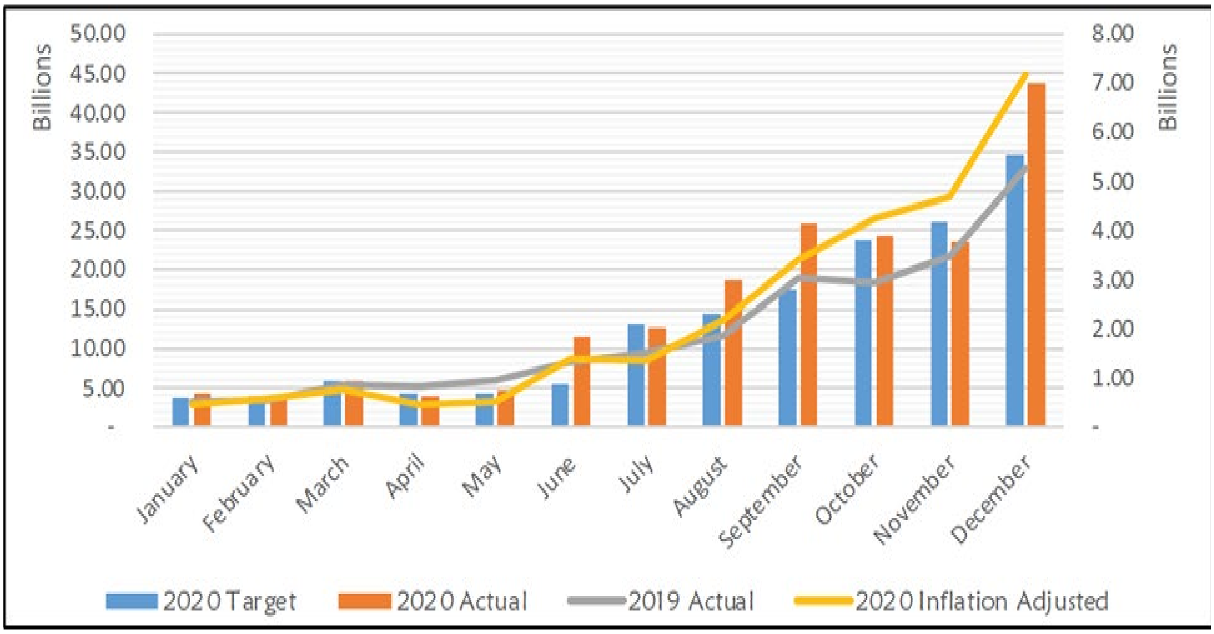
103 Obstacles and Opportunities for Financing the Fight against Covid-19 in the Debt Trapped Zimbabwe (scirp.org)

104 ZIMCODD (2020). Zimbabwe COVID-19 Response Mechanism: The Resource Factor. http://zimcodd.org/wp-content/uploads/2020/04/COVID-19-Response-Mechanism.pdf

3.2.1. Revenue Collections

COVID-19 led to decreased or low tax collections (tax to GDP ratio) due to closure of borders, lockdowns, tax reliefs given to taxpayers, closure of companies, dwindling exports, depressed prices, low commodity prices, staff rotation including the ZIMRA staff (tax collectors), low or no domestic and international tourist. Surprisingly ZIMRA continues to surpass its targets could it be that their targets are low or inflation is helping them. Considering that production was affected by lockdowns the ideal situation was to see tax revenue falling. Unexpectedly, in the last quarter of 2020, Zimbabwe surpassed its revenue targets by a variance of 8,44%. This trend has also been recorded in the first and second quarter of 2021 where Zimbabwe had ZWL$9.8 billion and ZWL$0.570 billion budget surplus respectively.[105]

Figure 4.2: 2020 Inflation adjusted net revenue collections vs 2019 Net Collections



Source: ZIMRA 2020 Annual Report (ibid)

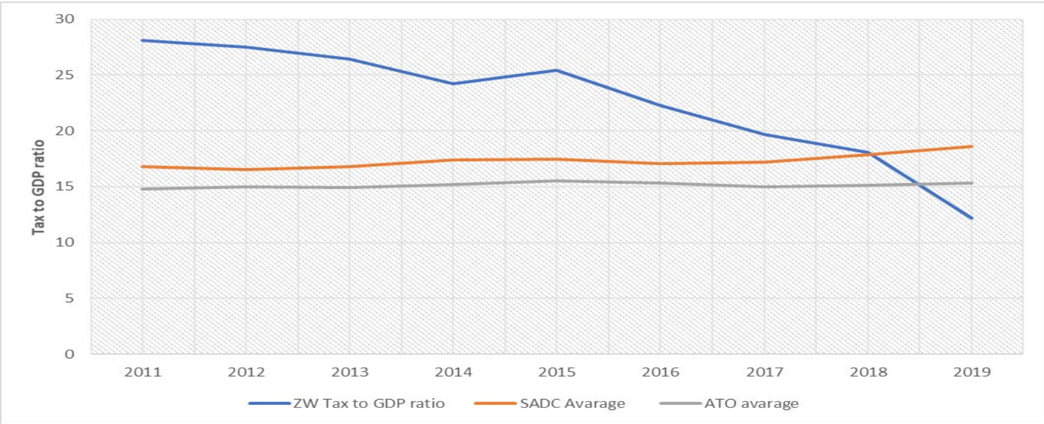
Despite the challenging economic environment, the ZIMRA managed to collect annual net revenue of ZWL$181.96 billion against a target of ZWL$171.9 billion (5.85% above target) including US$790,7 million in foreign currency collections. This result presented a real growth of 74.93% over 2019, with inflation having peaked to as high as 785.5% in May 2020, but coming down to 348.59% at the end of the year.[106] Figure 4 shows 2020 Inflation adjusted net revenue collections against 2019 Net Collections.

ZIMRA has been surpassing its targets since 2017, however, the tax to Gross Domestic Product (GDP) ratio of Zimbabwe has fallen (130%) from 28.1% in 2011 to 12.2% in 2019 (figure 5). MoFED continues

105 https://www.theindependent.co.zw/2021/08/06/taxation-for-education-sustainable-predictable/
106 https://www.zimra.co.zw/downloads/category/2-annual-reports?download=1439:zimra-2020-annual-report

to celebrate budget surplus even if they are using a cash basis approach. It is however questionable to note that this surplus has not been reflected in reducing poverty and inequality. All sectors were affected especially tourism, extractive sector, manufacturing, transport, distribution and government services. In September 2020 the Minister of Home Affairs indicated that every month the country was losing an estimated US$100 million worth of gold due to rampant gold smuggling through the country's porous points of entry and this translates to US$1.2 billion per year.[107]

Figure 4.3: Tax to GDP ratio compared to SADC and ATAF members



Source: African Tax Outlook, 2020

During the 2020 and 2021 Covid-19 period, Zimbabwe has witnessed a surge in IFFs through mineral smuggling. Sometimes normal procedures were not followed due to urgency of cases, lockdowns resulted in parliament not exercising its scrutiny and oversight.108 Hurried decisions and actions lacked transparency and accountability which then became the breeding ground of Illicit Financial Flows (IFFs). In some cases, deals and agreements were signed without scrutiny that created a fertile breeding ground for corruption and revenue mismanagement. Moreover, in October 2020, the Zimbabwe Miners Federation president was arrested at Robert Mugabe International Airport after being found in possession of 6kg of gold worth US$366 000.109 Seven months down the ladder (on 8 May 2021) another 33-year-old young man was arrested at OR Tambo International Airport in South Africa while attempting to smuggle gold worth over US$780 000. Furthermore, this is supported by recent reports such as Cartel Power

107 *Mining Zimbabwe, 2020, Gold smuggled out of Zimbabwe. Available at: https://miningzimbabwe.com/us100-million-gold-smuggled-out-of-zimba-bwe/ (Accessed: 5 July 2021)*

108 *Section 300 (1) of the Constitution states that an Act of Parliament must set limits on public debt in Zimbabwe. Section 300(2) requires an Act of Parliament to prescribe terms and conditions under which the government may guarantee loans. Section 300 (3) of the Constitution requires the Minister responsible for Finance, to gazette the terms of a loan agreement or guarantee concluded by the Government within sixty days. Section 300 (5) also requires the Minister of Finance to present a comprehensive statement of the public debt of Zimbabwe biannually before Parliament.*

109 *https://www.newzimbabwe.com/ex-zifa-boss-henrietta-rushwaya-arrested-while-trying-to-board-plane-with-6kg-gold/*

Dynamics in Zimbabwe110, Illicit gold markets in the east and southern Africa111, Decrypting illicit gold trade in Zimbabwe112, Shadows and shells: Uncovering an offshore business empire in Zimbabwe by the Sentry.113 All these are permissible because of weak mineral resources governance in Zimbabwe. For political reasons, Zimbabwe has adopted a tortoise approach in terms of matching its mineral resources frameworks against the Africa Mining Vision and the Extractive Industries Transparency Initiative which are aimed at improving the governance of mineral resources. Countries such as Zimbabwe are susceptible to IFFs because of corruption, huge mineral resources endowment and poor tax and data mechanisms. Poor governance in the mineral sector is a big problem, the government is dragging the implementation of Africa Mining Vision and adoption of Extractive Industries Transparency Initiative (EITI). The ultimate impact of IFFs are revenue losses which immediately affects budgets and social service financing.

As a result of the COVID-19 pandemic, revenue collections were expected to dwindle. This was mainly due to the measures that have been put in place by the government as a way of managing the spread of the covid-19 pandemic. Such measures included the closure of borders, closure of companies, companies operating below capacity, movement restrictions. This has meant less corporate tax contributions. The tax differences for companies meant delays in taxes to the government. This has also further affected the provision of services directly funded by the government. However, the Effects of climate change in the form of drought and cyclones to revenue collections prior to COVID-19 shown not be downplayed. The mining sector plays a pivotal role in terms of revenue contributions to the national fiscus. During the COVID-19 period, its contributions have been minimal due to scaling down of operations and the reduced trade and demand for minerals. However, the demand for minerals such as gold increased and appreciated in value as the rich wanted to protect the value of their wealth. It is worrisome to note that countries such as Zimbabwe did not fully benefit from this because of the strict fiscal stabilisation clauses in mining contracts and the absence of mechanisms to tap windfall earnings from minerals.

3.2.2. Revenue Management and Utilisation

In terms of revenue management, owing to the crisis, sometimes normal procedures were not followed due to urgency of cases, lockdowns resulted in parliament not exercising its scrutiny and oversight. In some cases, deals and agreements were signed without scrutiny that created a fertile breeding ground for corruption and revenue mismanagement. Poor revenue management of public funds is proving to be a catalyst for corruption and abuse of resources thus further reducing the funds needed to

110 https://www.dailymaverick.co.za/article/2021-02-09-zimbabwe-explosive-cartel-report-uncovers-the-anatomy-of-a-captured-state/

111 https://globalinitiative.net/analysis/illicit-gold-east-southern-africa/

112 https://www.sarwatch.co.za/wp-content/uploads/2021/06/Decrypting-Illicit-Gold-Trade-in-Zimbabwe.pdf

113 https://thesentry.org/reports/shadows-shell-games/

be used to provide service delivery. It was noted that there was lack of transparency in the procurement process which led to some corruption cases on COVID-19 funds such as the Drax gate. [114] It is important to appreciate the proposed PFM amendment Bill (PFM), it is a positive move in the right direction provided the government walks the talk and is efficiently and effectively implemented. Among others it is expected to provide mechanisms for the full implementation of the Auditor General's recommendations, strengthen and advance local and national budget transparency, participation and oversight. However, participation and involvement were limited due to restriction and lockdowns. Participation, oversight, actioning and transparency and accountability in revenue expenditure was negatively affected.

The study also finds out that debt is a component of the broader public financial management. As such to increase in debt due to COVID-19, it means more revenue must be collected to repay the debt. This then calls for more efficient and effective revenue management, and calls for the implementation of the six principles of good PFM. To collect enough revenue to finance economic recovery from COVID-19 requires transparency and accountability. There is also a need to curb IFFs such as tax evasion, tax avoidance, smuggling, illegal markets, theft-type, trade mispricing, and corruption. This also requires removing unproductive tax incentives, negotiating better double tax agreements, calling for wealth tax and calling for fair international tax architecture. Honesty and integrity in the whole value chain may mean raising more revenue. Government, CSO, private sector, activists, even general citizens have a role to play in lobbying for better budget formulation, planning, and execution (including predictability and control); public sector accounting; institutional accountability and transparency; external oversight of public finances; and systems and processes to enhance the efficiency and integrity of public spending and investment. Debt also limits fiscal space for the government to spend.

3.3 Impact of COVID-19 on Social Service Delivery

The COVID-19 pandemic had a devastating direct and indirect impact on the health and social fabric of society and the economy of countries across the globe. The government increased its expenditure on health, however due to previous challenges and the pandemic the expenditure was still not enough. The COVID-19 pandemic has exacerbated the challenges which already existed within service delivery. The pandemic has shown the need for proper funding for the key social services and overall, the need for domestic resources mobilisation.

3.3.1. Education

COVID-19 increased debt which negatively affects economic growth and further borrowing crowd out social service. According to United Nations International Children's Emergency Fund (UNICEF): Government education spending has significantly shrunk from an average of

114 *https://www.theafricareport.com/30676/zimbabwe-covid-19-drugs-scandal-lays-bare-the-rot-in-the-system/*

US$832 million over the period 2013 - 2016 to US$397 million in 2020 which is lower than the regional comparators and the education for all under the Dakar Education targets.[115] It is also important to note that the majority of children as of July 2020 were not able to engage in online or distance learning and the worst affected were those in rural areas where only one quarter of children engaged in distance learning. This widened the emerging and growing inequalities in education. In addition, closure of schools during lockdown took away the protective sanctuary for children offered by schools, leaving them exposed to sexual exploitation and abuse, including drug abuse, and there was reportedly an increase in child marriages during the lockdown.[116] Furthermore, COVID-19 stripped the income of many parents who could no longer afford to pay school fees for their children. Most teachers were further incapacitated and did not make it any better in terms of salary negations since the government could easily cite COVID-19 as major hindrance. Direct impact includes the death of teachers, children and even workers in the education sector.

3.3.2. Health

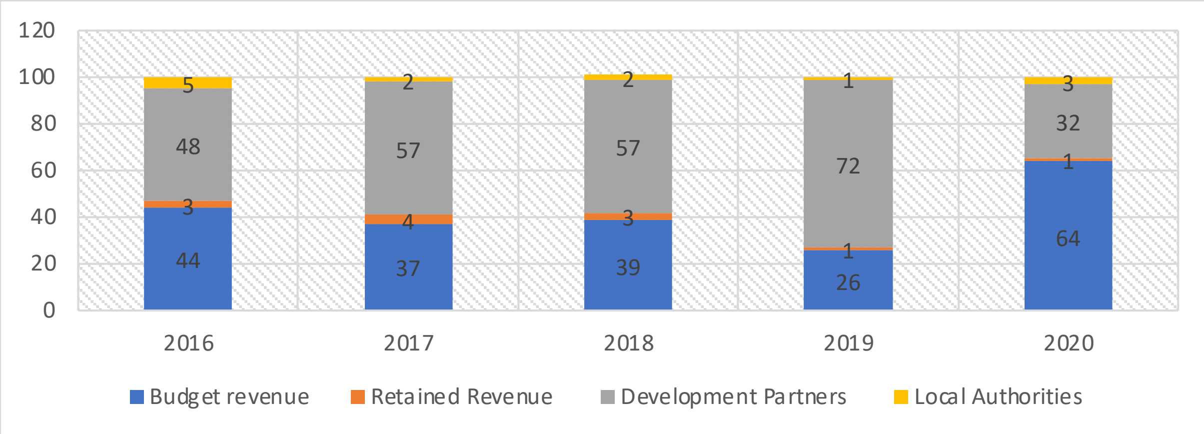
The impact of COVID-19 on the health delivery system, which was already underfunded and dilapidated, undermined the right to health for many people. Public health facilities faced several challenges which affected their capacity to provide basic and emergency healthcare during the pandemic, for example, the lack of equipment, limited intensive care unit beds and ventilators, lack of PPE, staff shortages, poor remuneration and working conditions for frontline health workers, among many other challenges. Some health facilities were closed after COVID-19 infections were reported, such that several people failed to access critical health services such as maternity services for pregnant women, access to life-saving support in case of emergencies, and access to medication to chronic patients suffering from HIV/AIDS or Tuberculosis. More revenue was needed to buy vaccines, the health budget was increased and some hospitals and clinics were improved. There was also death of health workers and IFFs in the health sector increased.[117]

115 *Goal 1: Expand early childhood care and education; Goal 2: Provide free and compulsory primary education for all; Goal 3: Promote learning and life skills for young people and adults; Goal 4: Increase adult literacy by 50 percent; Goal 5: Achieve gender parity by 2005, gender equality by 2015; Goal 6: Improve the quality of education*

116 *https://reliefweb.int/report/zimbabwe/impact-covid-19-socio-economic-rights-zimbabwe*

117 *https://www.tizim.org/wp-content/uploads/2021/04/Illicit-Financing-Public-Health-Sector.pdf*

Figure 4.4: Trends in the Main Sources of Health Sector Financing (%), 2016 -20



Source: Adapted from UNICEF, 2020

Health sector financing has dropped significantly from an average of US$745 million over the period 2016 – 2018, to below US$500 million in 2020. Zimbabwe entered the second wave in a much worse position than the first, with depleted fiscal and monetary buffers, shrinking resources with which to protect the vulnerable, and additional millions were thrown into poverty.

Debt repayments reduced the funds that could be used to finance health and education. Key informant interviews indicated that debt increases the tax burden on citizens reducing their disposable income and eventually prevents them from accessing education and health if they are not offered for free. Government had limited ability to borrow and finance social service delivery, due to its low credit worthiness (high risk). Debt forced Zimbabwe to rely on donor assistance which is not predictable and unsustainable. It was also noted that debt caused over reliance on donor funding. A good example was that in 2019, 70% of the health budget was donor funded.

4. Conclusion and Recommendations

4.1 Conclusion

COVID-19 exposed and exacerbated challenges related to Debt and SSD which was a wake-up call to all stakeholders.

4.1.1. Debt

The study noted that prior to the COVID-19 pandemic, Zimbabwe showed signs of debt distress; it had been struggling to pay back its debts since the year 2000. The external debt burden was already excessive and the country was incurring arrears (constituting over 70% of the external debt), the overdraft at the Reserve Bank of Zimbabwe far exceeded the 20% limit and the public debt to GDP ratio exceeded the 70% limit. The coming of the COVID-19 pandemic has further exposed the country into distress as there was pressure for financial resources to deal with the pandemic resulting in growing debt. Based on literature the study finds that beyond the 45-57% debt to GDP, public debt lowers economic growth (GDP) therefore Zimbabwe's debt is negatively affecting economic growth. As of April 2021 domestic debt had increased by almost 138% since June 2019 and the external debt increased by 31% since September 2019. This shows that COVID-19 contributed to this increase. Furthermore, as of September 2021, the Government had spent about US$127 million and more than ZWL$38 billion towards containment of the pandemic. The result concurs with literature and KII views that covid-19 exposed and exacerbated

After everything is said and done, Zimbabwe remain in debt distress even after receiving a Special Drawing Rights (SDRs) allocation of

US$961 million

which was just

9%

of external debt which stood at

US$10.5 billion

countries like Zimbabwe to debt vulnerabilities. Zimbabwe has limited access to external loans, if it was not that the debt could be more. After everything is said and done, Zimbabwe remain in debt distress even after receiving a Special Drawing Rights (SDRs) allocation of US$961 million which was just 9% of external debt which stood at US$10.5 billion.

4.1.2. Public Finance Management

COVID-19 exposed and amplified existing weaknesses in public finance management (PFM). Despite having a sound legal framework on PFM, its implementation has been characterised by a piecemeal approach and adherence to the principles enshrined in the constitution and other laws has not been satisfactory. It further exposed Zimbabwe to corruption and inefficient management of public resources resulting in dwindling revenue in real terms (US$). Revenue streams were negatively affected; COVID-19 reduced tax collections from March 2020 to July 2020 inflation-adjusted collections were below 2019 collections. Travel restriction, lockdowns, lower demand & falling commodity prices (CIT), lower earnings (PAYE), fall in consumption (VAT). Deals and agreements were signed without scrutiny. Participation, oversight, actioning and transparency and accountability in revenue expenditure was negatively affected. Lack of transparency in the procurement process which led to some corruption cases (Drax gate, nepotism). In August Auditor-General's special report on utilization Covid-19 funds exposed gross embezzlement of funds over ZWL$890 million was abused and misappropriated. International Financial Institutions highly commend Zimbabwe's strategies, legal and institutional frameworks; however, they bemoan lack of implementation of such frameworks.

4.1.3. Social Service Delivery

COVID-19 exacerbated underfunding and exposed a dilapidated health and education sector, undermining the right to health and education for many people. It magnified inefficiencies and inequalities in the delivery of public services. The pandemic further exposed the unpreparedness of our nation in terms of health infrastructure and social safety net issues. It also brought pressure to finance health expenditure (Health budget). It also reduced the capacity of the State to respond and discharge people's constitutional economic and social rights, reducing the well-being of citizens, increasing the tax burden of current and future generations. Public health facilities faced several challenges such as the lack of equipment, limited intensive care unit beds and ventilators, lack of PPE, staff shortages, poor remuneration and working conditions for frontline health workers. Several people failed to access critical health services. Health sector financing has dropped significantly from an average of US$745 million over the period 2016 – 2018, to below US$500 million in 2020 and IFFs in the health sector increased. Health budget failed to meet the Abuja declaration spending 15% of the budget and WHO recommended spending of US$86 per capita or 5% of the GDP. Education spending shrank from an average of US$832 million over the period 2013-2016 to US$397 million in 2020, lower than our regional comparators and the Dakar Education for all targets. Majority of students as of July 2020 were not able to engage in online learning especially in rural areas.

4.2 Recommendations

4.2.1. Debt

There is a need for prudent management of debt resources, transparent loan contraction processes, robust reform programs, reengagement processes that bear fruit and restoration of growth and sustainability. The government should continue to seek external support and debt relief from the international community. In addition, the government must simultaneously implement structural, political and sound macroeconomic policies. There is a need for a multi-stakeholder debt management framework, charter of fiscal responsibilities, independent institution and policy consistency. Furthermore, there is a need for, debt sustainability plan, comprehensive debt audit (which include parliament and CSOs), settling the debt at the same time lobbying humorous debt cancellation. Citizens and CSOs should call for full disclosure of all relevant information regarding loan agreements, debt repayments, debt management, outcomes of public debt audits and other related matters. It is also important for Zimbabwe to make use of the borrowing charter with principles and guidelines summarised in the box below.[118]

118 https://afrodad.org/initiatives/the-african-borrowing-charter/

Box 5. 1: The African Borrowing Charter

Principles and guidelines:

- Adherence to prudent public borrowing and debt management practices
- Existence of predictable rules and regulations
- Coordinated and coherent structures and obligations
- Existence of an autonomous Debt Management Office
- Public participation, inclusivity and information disclosure
- Respect for human and people's ecological rights
- Mutual respect and equal partnership with lenders

4.2.2. Social Service Delivery.

There is a need to prioritise the health and education sector. Debt repayments must come after these sectors. The government needs improvement in the provision of public, inclusive and gender sensitive public services. It must increase funding for the health sector to meet the Abuja declaration spending 15% of the budget and WHO recommended spending of US$86 per capita or 5% of the Gross Domestic Product (GDP). It must upscale education spending to recommended global thresholds (20% of the budget), properly plan, prioritize, improve utilization of the available resources and improve budget execution. There is a need to ring fence certain taxes for these sectors. When offering tax incentives, the government must do cost and benefit analysis, humanising the forgone tax by for example looking at what it could do for the health and education sector. It must use the surplus in the health and education sector. The recently received SDRs funds must be used prudently, with utmost accountability, to support the social sectors namely health, education, and the vulnerable groups.

Box 52: Questions asked during key informant interviews

Thank you for sparing time for this interview. Please be as objective as possible in your responses to the following questions. Kindly note that the information you are to provide will be treated with utmost confidentiality and will be for the purpose of this research only.

1. What was Zimbabwe's debt, public finance management and social service delivery situation prior to COVID-19?
2. How COVID-19 has implied on debt public finance management and social service delivery in Zimbabwe?
3. What are the practical recommendations to debt, public finance management and social service delivery in Zimbabwe?

Thank you for sparing time for this interview. Please be as objective as possible in your responses to the following questions. Kindly note that the information you are to provide will be treated with utmost confidentiality and will be for the purpose of this research only.

Notes

Public finance management (PFM) is public sector management of revenue, expenditure and debt or an umbrella concept that captures the processes and institutions used to implement fiscal policy while providing critical information to inform policy making. The key elements of public finance management are revenue administration (RA) public financial management (PFM) and public debt management (PDM).

RA focuses on improving the efficiency, effectiveness, and equity of revenue. It is well connected to Domestic Resource Mobilization (DRM).

In terms of public expenditure **PFM** refers to the areas of budget formulation, planning, and execution (including predictability and control); public sector accounting; institutional accountability and transparency; external oversight of public finances; and systems and processes to enhance the efficiency and integrity of public spending and investment.

PDM refers to aspects of public sector debt management such as coordination with macro fiscal policies; monitoring, reporting, and recording of public and publicly guaranteed debt; and provision of information to policy makers on how to meet financing needs at a low cost and with a prudent degree of risk while ensuring overall debt sustainability.

Social services delivery means delivery of a range of public services intended to provide support and assist the citizens especially the poor and the marginalised groups such as women, youth and people with disabilities.

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