



# THE WEEKEND READER

"Your Weekly Read on Debt, Development & Socio-Economic Justice"

## RECOMMENDATIONS TO THE DEBT CLEARANCE ENGAGEMENT

In July 2022, Africa Development Bank (AfDB) president Dr Akinwumi Adesina accepted President Emmerson Mnangagwa's request for him to champion Zimbabwe's arrears clearance efforts, with a particular focus on realigning with the Paris Club institutions. Assisted by former Mozambican president, Joachim Chissano, the debt relief process has begun. This trajectory is of specific to ZIMCODD considering our mandate against odious & unsustainable debt and pursuing people centred development policy. The expertise of the AfDB president will be of key bearing, raising our hopes for a successful process. In that same light, the coalition has explicit concerns and recommendations to offer to the table, as below.

### Concerns

#### ***Our odious debt burden***

Granted, this process comes with the admission that Zimbabwe's current debt stock is unsustainable as it has increasingly blocked lines of credit for developmental projects. The current public debt sits at US\$17.6 billion. Our Minister of Finance, Mthuli Ncube is quoted stating, "The external debt overhang continues to weigh down heavily on the country's development efforts, as access to external financing remains very limited due to the accumulation of external debt arrears." Our concern lies in the absence of information on how we reached such an amount and where the funds were used. It is our sincere hope hence that the present process will include an effort to rationalize the source of this debt and determination of its legitimacy.

#### ***Lack of transparency in debt accumulation***

The Executive continues to overlook and downplay Parliament's oversight role of approving loan contracts, which raises public suspicion that most likely some external debts are not disclosed or are being underreported. To note, in 2022, Treasury admitted the same after Parliamentarians demanded an itemized value list of agreements entered by the government of Zimbabwe and China. Zimbabwe borrowed about US\$200 million from China in October 2006 for farm mechanization equipment. The unsanctioned loan was collateralized with mining rights of platinum resources which are owned by the government through the ZMDC (resource-backed-loan). Parliament was only made aware of this parceling out after further inquiry, over a decade later.

1. [https://www.veritaszim.net/sites/veritas\\_d/files/Statement%20of%20Public%20Debt%2024%20November%202022.pdf](https://www.veritaszim.net/sites/veritas_d/files/Statement%20of%20Public%20Debt%2024%20November%202022.pdf)

2. <https://www.sundaymail.co.zw/consultations-begin-on-zims-debt-clearance>

### ***Net effect of austerity on the poor***

When government is crippled by debt, spending cuts and austerity negatively impacts poor citizens more. As government cuts social spending while directing revenue towards servicing debt and arrears, the poor are left hanging where they need support the most. Furthermore, the efforts of austerity tend to have a more bearing effect on the backs of the already vulnerable and marginalized such as children, People with Disability, women and the elderly. This is even more concerning because some of the debts contracted are for personal or private gain of the political elite, such as the Farm Mechanization loans.

### **Recommendations**

Following the above, ZIMCODO has the following submissions which will chart a sustainable way of not only addressing the current debt stock but ensuring that further commitments benefit the poor and wider citizens of Zimbabwe.

- **Implementation of Economic Reforms Matrix:** The government need to implement economic growth enhancing policies. Macroeconomic stability must be a priority. In particular, we plead for drastic actions to combat corruption and Illicit Financial Flows and strengthened measures to enhance domestic resource mobilization. These efforts require firm commitments towards long-term economic reforms to move Zimbabwe away from the current natural resource export dependency paradigm towards sustainable job creating economic growth for shared prosperity.
- **Debt transparency:** An independent Parliament led National Debt Audit is vital to embed transparency over public and publicly owned debts, and guarantees. This is essential to restore trust and confidence amongst citizens, lenders and key stakeholders in the Zimbabwean economy. Without transparency, it is not possible for civil society, media and parliaments to hold the government to account on how much is being borrowed, the terms of contracts, what it is being invested in and how it will be repaid. Most fundamentally, the people of Zimbabwe have the right to know about debt being taken on by governments in their name.
- **The responsibility of Creditors:** Zimbabwe creditors should publish detail of their debt claim on Zimbabwe, as this can stop the worst problems with an opaque system. The more transparency there is over government debts, the better decisions Creditors can make in this process. A 'debt crisis' is a shared responsibility between the debtor country and its creditors. It is a sensitive issue to the citizens of the debtor countries given its life and death impacts. Creditors will need to shoulder the blame as well and take responsibilities going forward.
- **Role of CSOs in the debt restructuring process:** CSOs need to be acknowledged in the process beyond consultations. A defined role, structured and budgeted role need to be guaranteed. There is need to reach out to the citizens by raising awareness on issues of debt, linking it to the development challenges that the citizens are facing, and mobilizing their support and buy-in on the need to push forward the reforms and call for debt cancellation.

- **Domestic Resource Mobilization:** Government should desist from parcelling away the nation's resources in murky resource-backed loans. The reliance on such is an indicator of failure to generate value locally when we are endowed with multiple minerals. Leaving future generations with huge debts and exhausting their mineral resource claims is a huge social and economic injustice!
- **Establishment of a Debt Sustainability Plan:** The present focus should not only be on clearing the current debt but establishing a methodology or framework through a Debt Sustainability Plan. Only then can future efforts bear confidence from the public and lenders.
- **Debt cancellation of odious and illegitimate debt from irresponsible borrowing:** Debts to directed to odious and personal gain should not be placed on the shoulders of innocent citizens. Those who benefitted should pay back.

As meetings for the arrears clearance plan continue, we are hoping that the following citizen needs will be considered. Citizens are also encouraged to follow these processes and conversations to ensure that accountability and transparency remain the hallmark of our democracy.



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