



THE Weekend Reader

"Your Weekly Read on Debt, Development & Social & Economic Justice"

Promoting Equity and Accountability in IMF Special Drawing Rights Remains Crucial

On August 23rd, 2021, the IMF allocated a historical \$650 billion worth of Special Drawing Rights (SDRs) to its member states, to help countries tackle the economic impact from COVID-19. Out of \$650Bn SDR allocation, about \$33Bn (5 percent) was distributed to African countries and Zimbabwe got SDRs worth US\$1 billion.

Zimbabwe's allocation represents about 20 per cent of the country's total exports and about 10 per cent of the country's external public debt which is a significant boost to the economy if these resources are used judiciously and with transparency and accountability.



The COVID-19 global pandemic exacerbated Extreme Poverty with 39 million Africans falling into extreme poverty in 2021; widened inequalities; and worsened unemployment. All this happened at the backdrop of a ballooning and choking debt for most of the countries.

For Zimbabwe, which is one of the countries under debt distress, total Public and Publicly Guaranteed (PPG) (external and domestic) debt estimated at US\$10.7 billion as at the end of December 2020, representing 72.6 per cent of GDP.¹

Although SDRs allocations in many countries will be held by central banks, they have the potential to provide governments with fiscal flexibility and support priority spending in low- and middle-income countries. The decisions on how countries use their SDRs are too important to be made opaquely and without public input, especially when inequality and perceived corruption have already undermined public trust in many governments.

In this context, on October 28, 2021, the International Budget Partnership (IBP), the African Forum for Debt and Development (AFRODAD), Latin American Network on Debt, Development and Rights (LATINDADD), the Center for Global Development (CGD) and the Bill & Melinda Gates Foundation convened a virtual event for civil society organizations on promoting accountability in the use of SDRs that ZIMCODD participated in.

The event included panel presentations from Mark Plant, Senior Policy Fellow, Center for Global Development, Andrés Arauz, Senior Research Fellow, Center for Economic and Policy Research; Janet Zhou, Executive Director, Zimbabwe Coalition on Debt and Development; and Jane Seruwagi Nalunga, Executive Director, SEATINI Uganda

The main objectives of the event were to help civil society organizations' understanding of the policy implications created by the SDRs allocations, foster peer learning and identify opportunities to promote equitable and accountable use of this additional financial capacity.

During the meeting Janet shared that as a Civil Society Network, the demands on key principles of SDRs have been on ensuring that the SDRs are not debt inducing and not for debt repayments, they should not have conditionalities, should promote debt and climate justice and managed within a strong system of transparency and accountability.

For the country to ensure the needed transparency and accountability in the use of the SDRs, parliament must effectively exercise its oversight role as mandated by Section 298 of Zimbabwe's Constitution and guard against any possible abuse and misuse of the SDR Funds.

The Parliamentary Portfolio Committee on Budget, Finance and Economic Development must be hands on in monitoring the appropriateness of the expenditure of SDR funds. Civil Society and the Media must also play their watchdog and whistle blower roles, to ensure that there is transparency and accountability in the use of SDRs. Whilst the Minister of Finance and Economic Development (MoFED) must be mandated to provide comprehensive reports on the utilization of SDR funds that demonstrate value for money

1. http://www.zimtreasury.gov.zw/index.php?option=com_phocadownload&view=category&download=407:2021-mid-term-budget-economic-review&id=53:mid-term-reviews&Itemid=759