

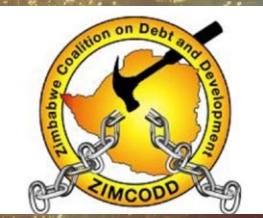
AFRODAD



STRENGTHENING DEBT GOVERNANCE IN THE CONTEXT OF COVID-19

ZIMBABWE ANNUAL
MULTI-STAKEHOLDER DEBT
CONFERENCE;
PROCEEDINGS REPORT

22 - 24 SEPTEMBER 2021,
RAINBOW TOWERS HOTEL,



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INTRODUCTION

The Annual Multi-stakeholder Debt Conference was hosted by African Forum and Network on Debt and Development (AFRODAD) in collaboration with the Zimbabwe Coalition on Debt and Development (ZIMCDDD) from the 22nd to the 24th September 2021 at Rainbow Towers Hotel, Harare, Zimbabwe. The conference brought together 95 physical participants and over 50 virtual participants that included Parliamentarians, technocrats, civic leaders, academia, the media, and citizens to discuss public finance management and development issues in Zimbabwe. The 3rd Edition of the Multi-Stakeholder Debt Conference is part of the Africa Conference on Debt and Development (AFCoDD) but at the national level. The conference was held at a time the country is in debt distress with limited access to international financing to meet its developmental needs. Typically, concessionary loans which are characterized by lower interest rates and higher maturity periods provided by international financiers are crucial for developing countries like Zimbabwe as they face constrained fiscal spaces and lack deep financial markets. The outbreak of the COVID-19 pandemic has exacerbated the pre-existing economic, climate, and social challenges that the country was grappling with. These challenges include limited adherence to debt management legal framework; provision of social safety nets; poor economic governance and inequality in all sectors of the economy (health, education, housing, water, and employment) among others.



THE OBJECTIVES OF THE CONFERENCE WERE:

To harness ideas from different stakeholders and come up with a common approach to resolve the current debt crisis

To raise awareness and increase citizens understanding of the public finance and debt issues affecting the country

To strengthen transparency and accountability in public debt management.

To contribute to public debt ideation from a pan-African perspective

THE MAIN EXPECTED OUTCOMES WERE AS FOLLOWS:

- a. Short-term** – i. Conference communique with common position by different stakeholders on addressing the current debt crisis and its impact on economic development; ii. Citizen awareness through media publication;
- b. Medium-term** – i. improved adherence to public finance legislation by the executive; ii. A more engaged and active citizenry and sincere consultations by the government; iii. Increased transparency on sourcing, allocation, and utilisation of public resources; iv. Improved oversight by Parliament over loans and implementation of government programmes; vi. Improved quality of institutions and debt management policies.
- c. Long-term** – i. accountable and transparent government; ii. Robust PFM legislation; iii. Active participation of citizens in public finance matters.



DAY 1

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OPENING SESSION

2.1 **WELCOME REMARKS BY ZIMCODD EXECUTIVE DIRECTOR - MRS JANET ZHOU**



Mrs. Zhou thanked participants for setting aside time to be part of the important Annual Multi-stakeholder Debt Conference to reflect on the current debt status and solutions to the current debt crisis. She welcomed participants to the third edition of the conference and noted that it was held in a very difficult context of COVID-19. The Executive Director informed participants that stakeholders were drawn from the government in particular the public debt management office; Ministry of Finance and Economic Development; members of Parliament from different parliamentary committees such as the Public Accounts Committee; Budget, Finance, and Economic Development Committee as well as chairpersons from other relevant parliamentary portfolio committees (local government and Public Works, Gender and Community Development, Women Parliamentarians Caucus); industry; academia; bankers; Civil Society Organizations (CSOs) and media.



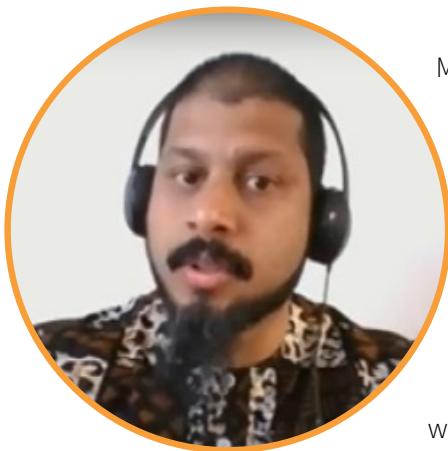
Ms. Zhou stressed that the debt issue was of national interest and impacted every sector of society. She informed the delegates that the focus of the conference was to share ideas and exchange views on how Zimbabwe can enhance transparency; accountability and prudent debt management. She urged participants to have a consensus on how debt affects economic recovery in Zimbabwe.

Zimbabwe is currently saddled with huge debt which is currently above the legally provided thresholds of 70% of GDP as it is around 80% of GDP. In addition, it is above recommended SADC threshold of 60%. Although civil society uses this indicator of debt to GDP, it would prefer to measure distress against the country's ability to repay the debts. Participants met at a point where the government had begun some level of repayment to service its debt of US\$17.07 million to Paris and non-Paris with US\$11.33 million

being paid to the latter during the first quarter of 2021. This effort has not improved the country's access to concessionary loans. The country still has issues in terms of re-engagement with the international community with regards to coming up with a debt clearance strategy that will not induce more debt or come with conditionality. She noted with concern that corruption and illicit financial flows continue to bleed the economy. This situation is being worsened by COVID-19 which has created additional unbudgeted expenditure for government to deal with economic and health impacts.

She hoped that participants would come up with one position to deal with the debt crisis not as a financial issue but as a public service and people's issue especially on women; persons with disabilities; learners and youth. She concluded by wishing participants fruitful deliberations.

2.2 **WELCOME REMARKS BY AFRODAD EXECUTIVE DIRECTOR – MR. JASON BRAGANZA**



Mr. Braganza welcomed and thanked participants for making time to participate in the conference. He stressed that the conference came at a time when the world was grappling with the challenges and impacts of COVID-19. Several African countries

have been severely affected by COVID-19 despite several efforts and initiatives to fight the challenges arising from the pandemic.

He highlighted that CSOs were of the view that efforts being made at the global level still fall very short of what is required for countries like Zimbabwe to come

out of the debt distress. Over a month ago, the IMF announced the issuance of Special Drawing Rights (SDRs) to the tune of US\$650 billion. This amount, despite it being the largest in the IMF's history, is being allocated in a very unfair way. Less than a third will be going to developing countries, specifically African countries. Part of the conference conversation will be to discuss how the inequalities of the global system is hindering the prospects of the continent's recovery and specifically hindering the prospects of Zimbabwe to utilize the SDRs at its disposal.

Mr. Braganza further indicated that at the continental level, there have been efforts by Heads of State, CSOs, and other interest groups to emphasize the importance of getting a better deal to come out of this pandemic. The deal could be vaccines; debt relief; debt suspension; debt cancellation; debt restructuring through negotiations with all bilateral and multilateral creditors and especially the



commercial creditors who over the past two decades have begun to dominate the creditor landscape. He indicated that without commercial creditors coming to the table to have a meaningful conversation, any debt relief measure being proposed by the multilateral institutions or any fiscal space is likely to be redirected towards paying back the private creditors.

Mr. Braganza informed the conference that AFRODAD received affirmation from the Malawi President on his willingness to champion the African accountability mechanism on debt relief and economic recovery. This is evident that it is an opportune moment for the continent to take control of its own agenda and destiny out of this global pandemic.

He implored participants to engage themselves with the Harare Declaration and use it as an opportunity to develop a national communiqué. He hoped the participants would engage in lively and constructive discussions. This is because the costs of the indebtedness that our countries face are primarily borne by ordinary citizens. The water and electricity shortages; lack of access to health care facilities and education opportunities; limited employment opportunities for young people; marginalization of vulnerable groups of society all stem from the inability of African countries to finance their development agenda.

He ended by thanking ZIMCCOD for partnering with AFRODAD in organising the conference.

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2.3 POLITICAL ECONOMY AND OVERVIEW OF AFRICAN DEBT BURDEN – DR. YUNGONG THEOPHILUS JONG, AFRODAD HEAD OF PROGRAMMES



The presentation focused on the public debt burden in Africa and the political economy overview. It highlighted that Africa's debt has not ceased to rise in the last 20 years and African countries are threatened with the debt crisis. This situation is compounded by the outbreak of the COVID-19 pandemic and associated economic shocks.

Dr. Jong highlighted that the Northern African region is leading in terms of debt accumulation. A widening gap between general gross government revenue and gross government debt is observed. This means that African governments' debt is increasingly

accumulating compared to their capacity to generate revenue thus pointing to a situation of debt distress. Evidence reveals that between now and 2026 there are no indications that these figures will decrease. In advanced economies, debt sustainability cannot be compared with what African countries have. Debt sustainability analysis shows that Zimbabwe is one of the countries in debt distress. Between 2010 and 2015 the number of countries that were in debt distress dropped from 8 to 2 but just 5 years later, they increased from 2 to 6. Countries with a high risk of debt distress increased from 6 in 2010 to 15 in 2020. Those in the low and moderate categories have dwindled between 2010 and 2020 despite the gains that were already made in 2010.

The presentation outlined that evidence reveals that this debt is driven by both internal and external forces. Some of the internal debt drivers include a development strategy that relies heavily on borrowed



funds as well as poor public debt governance. External debt drivers include profit-driven creditors who are now offering loans that are more expensive and less concessional than in the past. In addition, the international debt architecture is driven by profiteering motives – development and issues of debt sustainability concerns are less primary to profiteering motives. More so, there is an inefficient pan-African approach. African countries play solo – and this is fuelled by divided interests and loyalties/ there is no unified approach to dealing with - “The Complicated Beast of Debt” – relying on external borrowing and dealing with indebtedness in the continent. The unequal power relations that place Africa as a rule-taker particularly when it comes to debt transactions.

Comprehensive policy suggestions need to deal with both external and internal weaknesses of the entire African debt architecture. The presenter suggested the following internal policy suggestions:

- ***Improving debt governance***

- ***Adopting the African Borrowing Charter which was developed by AFRODAD***
- ***Curbing illicit financial flows and evasive tax practices***
- ***Broadening the tax base***
- ***Sound borrowing and investment policies***
- ***Responsible governments – are key***
- ***Increase policy uptake***

The paper suggested the following policy suggestions to address the external debt drivers:

- ***The need to move towards more balanced global relations that consider the common interests on a win-win basis***
- ***Debt cancellation and restructuring – it is not a question of whether but a question of how***
- ***The need to move towards an international mechanism for resolving debt problems/ restructuring debt through the United Nations Private sector involvement in public debt restructuring.***

1 ZIMBABWE SESSIONS

STATUS OF PUBLIC DEBT MANAGEMENT IN ZIMBABWE

3.1 LAUNCH AND PRESENTATION OF THE ZIMBABWE 2021 ANNUAL DEBT MANAGEMENT REPORT - DR. PROSPER CHITAMBARA - LABOUR AND ECONOMIC DEVELOPMENT RESEARCH INSTITUTE OF ZIMBABWE (LEDRIZ)



The presentation highlighted that from 1980 – 2000, Zimbabwe had a good track record in terms of settling its external obligations. The debt mostly went towards social development, drought relief, and financing Economic Structural Adjustment Programme (ESAP). However, from 2000 Zimbabwe was in debt distress and continuously accumulated arrears.

Dr. Chitambara indicated that Zimbabwe's total public and publicly guaranteed debt (PPG) (external and internal) stood at US\$10.7 billion as at 31 December 2020. This represented 72.6% of GDP. Excluding the Reserve Bank of Zimbabwe (RBZ) debt of US\$2.1 billion, the total external public debt is US\$8.4 billion and this represents



a 4.1% increase from US\$8.094 billion in 2019. The external debt is owed to both multilateral and bilateral creditors. The principal debt is only 37.8% of the total PPG with the rest being arrear. Some efforts are being made towards debt repayment. For example, in the first quarter of 2021, the Government made a debt repayment of US\$17.04 million.

The presentation also showed that the country's domestic debt stood at ZWL\$20.9 billion (US\$242 million) as at 30 April 2021 up from ZWL\$16.7 billion (US\$204 million, 1.4 % of GDP), as at end of December 2020. In 2019, domestic debt was ZWL\$7.7 billion as at 31 December 2019. Domestic debt had reached almost 45% of GDP in 2018, mainly driven by the issuance of treasury bills and the use of an overdraft facility from the RBZ. Other domestic debt drivers include inflation pressures; government loan guarantees to parastatals; RBZ debt assumption and budget deficits.

Dr. Chitambara indicated that the unsustainable debt situation that Zimbabwe finds itself in is evidence of underlying structural and institutional challenges (weak institutions at economic and political levels). These issues affect inclusive growth, productivity, and competitiveness of the economy. COVID-19 increased pressures on public health expenditure as the government implemented measures to save lives coupled with the slowdown in economic activities following the partial or full lockdowns. At least 30% of formal jobs countrywide were lost with the tourism sector alone estimated to have lost more than US\$1 billion. The government contracted new debt from organizations like International Fund for Agricultural Development (US\$2.2 million), OPEC Fund for International Development (US\$0.92 million), Arab Bank for Economic Development in Africa (US\$0.17 million), and China Exim Bank (US\$17.1 million) among others. Treasury in 2020 issued guarantees amounting to US\$15.18 million (the equivalent of ZWL\$ 1.292 billion) under the COVID-19 pandemic Recovery and Stimulus Package.

The presentation disclosed that Zimbabwe did not benefit from the G20 debt relief measures for

73 lower-income countries because of World Bank arrears. However, 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. It further received pledges and donations from various development partners as well as from governments like China and Russia. Recently, Zimbabwe further received US\$961 million from IMF to help boost liquidity and fight the pandemic. This SDR allocation is not a loan but will be expended to support social sectors the social sectors namely, health, education, and the vulnerable groups.

He also reviewed options that are available for debt resolution in Zimbabwe which include debt rescheduling; debt swapping/conversion; borrowing against the security of domestic assets; debt refinancing; debt buybacks; debt restructuring as well as continued default. Dr. Chitambara suggested that Zimbabwe would require a combination of debt restructuring and write-offs to solve its arrears problem.

The presentation suggested the following recommendation:

- ***Conducting a comprehensive debt audit by Parliament and CSOs;***
- ***Crafting a Debt Management Framework which encompasses a multi-stakeholder approach in designing realistic and implementable strategies;***
- ***Ensuring policy consistency and coordination in policy pronouncements and gazetting of statutory instruments.***
- ***The Government must borrow on concessional terms in the medium to long term and only borrow on commercial terms for financing productive sectors which yield high returns.***
- ***The government should guarantee full disclosure of all relevant information regarding loan agreements, debt repayments, debt management, outcomes of public debt audits, and other related matters.***



3.2 INSTITUTIONAL RESPONDENTS

HON. EDWIN MUSHORIWA – PORTFOLIO COMMITTEE ON PUBLIC ACCOUNTS



Hon. Mushoriwa highlighted that the debt challenge in Zimbabwe as presented has been going up from the 1980s to date. He acknowledged the work that the Public Debt Management Office

is doing but hinted that Parliament does not believe that the published debt statistics truly reflects the actual debt. For example, several Government Ministries owe certain organizations for years but this is not accounted for in debt statistics. He further noted that several State-Owned Enterprises are technically insolvent and their debts are likely to be taken over by the government hence increasing the debt level. Hon. Mushoriwa suggested that country's debt could reach close to US\$20 billion. Regarding domestic debt, he indicated that at currency change over in 2019 the debt went down, but at the expense of pension and insurance funds which were the biggest creditors. Any child born has debt on their head and this is a challenge.

Hon. Mushoriwa outlined that the government can improve transparency by speeding up the implementation of international public sector accounting that calls for the use of accrual accounting instead of cash accounting currently in use. He also noted that the embezzlement of COVID-19 by government officials exposes the level of corruption in our public institutions. This calls for the need to step up the fight against corruption and the need to put in place mechanisms to track and monitor the acquisition and utilization of public resources. He ended by noting that debt in itself is not bad but contracting debt that does not generate revenue and benefit citizens is a bad idea.



**MS. RUMBIDZAYI MAKONI,
ZIMBABWE ACTION AID**

She began by noting that poverty has a woman's face and that the country's high debt burden together with its impacts on public service delivery and COVID -19 pandemic exacerbated it. Rumbidzayi further submitted that the country acquired loans from China to improve its water reticulation system, unfortunately, there has not been much improvement in the availability of water. This then implies a further burden to women who have to look for alternative sources of water with difficulty. She also highlighted that the delays in publishing of Auditor General's Reports affect parliament's response to the issues raised with regards to public finance management. There is a need for enhanced transparency and more accountability. In addition, there is a need to limit continued debt contraction, curb illicit financial flows in order to sustain the livelihoods of the marginalized groups.



**MR. MASIMBA KUCHERA -
CENTRE FOR DISABILITY AND DEVELOPMENT**

Mr. Kuchera highlighted the need to bring social protection into perspective when discussing debt management with a focus on people with disabilities. He noted that the government continues to talk about budget surplus while social expenditure is being neglected sectors when it comes to budget expenditure is social sectors. He also indicated that government seems to have little information about vulnerable groups which affects the effectiveness of social protection programmes. Whenever there is increased debt pressure, the fiscal expenditure is diverted from social service delivery and protection leaving those people to see it for themselves making them more vulnerable.

Efficient and effective use of the resources then calls for the eradication of corruption and opportunities for such. Further, there is a need for targeting those in need by finding out where they are by either creating database or consolidating pockets of information that is with CSOs and the government. There is a need for stakeholders working with people living with disabilities to step up efforts on coordination and not to work in silos. Enhanced coordination will ensure that resources are properly directed to the right target.



**MR JOSEPH MASIMBA MANYANYA,
ZIMCODD SEJA**

Mr. Masimba noted that the debt problem has been around for decades which then calls for the firm and strong solutions to address the differentiated impacts of debt among men and women, youth, people with disabilities as well as people in the rural areas. The issue of thieving of COVID-19 funds by Government Ministers points to economic governance challenges the SADC region is faced with and the difficulty it places on countries to adequately address the debt issue.



3.3 PLENARY DISCUSSIONS



BELOW ARE SOME OF THE QUESTIONS WHICH WERE RAISED DURING THE PLENARY AND THE RESPONSES:

Is it proper for the government to assume the \$700m debt from Rhodesia?

To some extent is it because part of it went towards industrial development as the Rhodesian Government implemented the sanctions-busting import substitution programme. Zimbabwe adopted a robust economy that was relatively well-diversified and industrialized, number two in Sub Sahara Africa at that time. Thus, to some extent, Zimbabwe benefited from that debt. Remember the Zimbabwean dollar in 1980 was stronger than the pound.

Stakeholders asked whether RBZ debt assumption is legitimate

Most of these funds financed quasi-fiscal activities and the greater population did not benefit from it. Although RBZ argued that they were implementing the quasi-fiscal expenditure to burst US - ZIDERA and EU sanctions, the outcome was not very effective. It is therefore imperative for Parliament and CSOs to conduct a comprehensive debt audit to be able to separate between legitimate and illegitimate debt.

What is Parliament doing to ensure that public institutions adhere to legal provisions of public finance management?

As long as there is no clarity in terms of engaging parliament, then its oversight role may remain compromised. Stakeholders need to engage Parliament through committees, caucuses, and champions that focus on debt management. Parliament through the Budget, Finance & Economic Development Committee and The Public Accounts Committee has recently engaged the Public Debt Management Office on matters of Zimbabwe's debt issues. Parliament acknowledged support it receives from CSOs such as ZIMCODD and AFRODAD on its oversight role. The Portfolio Committee on Budget, Finance, and Economic Development is



currently engaging the Minister of Finance on how the government intends to utilise the SDRs when parliament resumes. The intention is to track and monitor the utilization of these funds.

The government continues to indicate Budget surpluses when some expenditures are cut. Budget outturn reveals we have a deficit. The Minister of Finance reports a surplus by merely considering fiscal figures without factoring in payments made by RBZ on behalf of the government. If factored in, it shows a deficit. Portfolio Committee on Finance has been active in trying to keep RBZ sticking to its mandate. RBZ however, has over the years been overshooting its mandate and Parliament is worried and will need to do more to ensure this is addressed.

Where are young people situated when it comes to debt management given that 67.7% of the population are young people?

The young have already been given a debt obligation of what they have not benefited. The young people need to stand up as they constitute the majority of the population in the country but are marginalized in most decision-making bodies. Power is not normally given but young people need to be proactive for their voices to be heard. They need to be active in debt and economic development discussions.

Zimbabwe owes to China and Paris club. It looks like there is competition on borrowing from China. What are the implications in terms of our continued reliance on China as a source of funding?

A major concern across Africa and not only in Zimbabwe has been around debt transparency with respect to borrowing from China (terms and borrowing amounts). Borrowing is shrouded in secrecy and opacity giving rise to hidden debt traps and unsustainability of such loans.

We have heard a lot about the rising debt and the fact that a newborn Zimbabwean is born with debt. Is there room for the removal of debt based on humanitarian grounds? Whenever we borrow, we must have a culture to repay. The first step is why we should enjoy luxury when we are indebted. On our budget, Parliament must always be asking what we are doing with debt service. There should be strict budget allocation every year towards debt servicing. There are a lot of illicit financial flows despite the government's stance on zero tolerance to corruption. The issue of promises Vis a Vis their delivery is heart-breaking. Can we ask for debt cancellation when we are richly endowed with mineral resources? Creditors know that we can pay. Instead of repaying debts, we are indeed accumulating more. There is a need to reflect on this stance and act more responsibly.

SESSION 2 ZIMBABWE

STATUS OF PUBLIC DEBT MANAGEMENT IN ZIMBABWE

4.1 PRESENTATION ON COVID-19 IMPACT ON DEBT & SOCIAL SERVICE DELIVERY BY MR. LEARNMORE NYAMUDZANGA



The presentation highlighted that COVID -19 hit the country when it was already in debt distress.

When COVID -19 hit, the country was already struggling with revenue mobilization challenges such as illicit financial flows, harmful tax incentives, huge informal sector, and weak governing frameworks. The Auditor General's reports document mismanagement of funds, corruption, diversion of funds, and overpricing of goods and services when the government is purchasing. Opaque financing and repeated spending above appropriations severely weakened budget credibility.

Mr. Nyamudzanga further showed that before COVID-19 outbreak schools were in very poor conditions and health



facilities were in a dilapidated state. The health and education sectors were poorly funded. For example, over 50% of the health budget was being funded by donors. He also noted that Zimbabwe did not benefit from the debt initiatives offered to other developing countries. COVID-19 increased debt which hurt economic growth. As of April 2021, the domestic debt had increased by almost 138% since June 2019 and the external debt increased by 31% since September 2019. These figures do not include US\$3.5 billion to compensate white farmers and opaque resource-based loans.

The presentation further indicated that COVID-19 reduced revenue tax collection through travel restriction, lockdowns, lower demand & falling commodity prices, lower earnings (pay as you earn), fall in consumption (value added tax). Normal procedures with regards to revenue management and utilization were not followed due to the urgency of cases; lockdowns resulted in parliament not exercising its scrutiny and oversight. Deals and agreements were signed without scrutiny thus creating a fertile breeding ground for corruption and revenue mismanagement. Further, there was a lack of transparency in the procurement process which led to some corruption cases (Drax gate, nepotism). In August 2021 Auditor-General's Special Report on Utilization COVID-19 funds exposed gross embezzlement of funds over \$890 million was abused & misappropriated.

He showed that COVID-19 exacerbated underfunding and exposed dilapidated state of the health and education sectors and undermined the right to health & education for many people. COVID-19 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. COVID-19 brought pressure to finance health expenditure

(Health budget-ZWL\$5.3 billion), expenditure on enforcement of lockdown restrictions, COVID-19 vaccination campaign, COVID -19 Vaccine & syringes (US\$93.2 million) as a 30 June 2021. It reduced the capacity of the State to respond & discharge people's constitutional economic and social rights, reduced the well-being of citizens, increase their tax burden for the current and future generations. Public health facilities faced several challenges e.g., 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. Zimbabwe's economy contracted by 6.0% in 2019 and by 10% in 2020 and this was in the face of limited access to international financial institutions and high inflation.

The presentation suggested a number of recommendations which include:

- ***Reducing public debt through adherence to the legal provisions on prudent public borrowing.***
- ***There is a need to simultaneously implement structural, political & sound macroeconomic policies, audit, remove odious debt & come up with a debt repayment plan to settle the debt & lobby for debt cancellation.***
- ***When it comes to budget execution, the government must table supplementary budget to effect spending above approved appropriation, as required by the Constitution Controls over commitments.***
- ***There is further need for political will to speed up the alignment of the Public Finance Act to the Constitution of Zimbabwe, curb illicit financial flows and devise market-friendly trade and investment policies that would enable the government to expand its revenue base. There is a need to step up efforts in prioritizing social service delivery.***



4.2 PRESENTATION ON COVID-19 RESOURCES TRACKER, MS. MUCHANYARA MIDZI (ZIMCODD)



Ms. Midzi informed participants that this is a tool that ZIMCODD developed in March 2020 to monitor and track COVID-19 earmarked resources. The development of the trackers was motivated by:

- *The urgent need to respond to the novel virus provoked the relaxation of procurement rules and regulations and by-passing of procurement procedures and yet the Auditor General has perennially unearthed gross abuse and misappropriation of public funds in the public sector, particularly through procurement.*
- *Learning from the 2008 Cholera outbreak and the 2019 Cyclone Idai, the government was faced with challenges in coordinating its resource mobilization efforts and in addition did not also provide formal report back processes to the public on how the resources were mobilized and utilized.*
- *Zimbabwe's public resource management sector is shrouded in secrecy such that citizens amongst other key stakeholders find it extremely difficult to access the government's resource mobilization and expenditure records to hold them to account.*

She indicated that The COVID -19 Resource Tracker is a tool to track all the resources earmarked for the COVID-19 response in Zimbabwe. It is meant to inculcate a culture of accountability on COVID-19 resources in line with Section 298 of the Constitution, increase citizen awareness and promote citizen-driven accountability.

The presentation outlined the measures which were employed by the government to raise resources in response to COVID-19 which include:

- *Expenditure reprioritization,*
- *ring-fencing 2% tax,*
- *Crowd funding was a major boost to government funds from external sources such as the international community, development partners, and the private sector.*

Since 2020, the government mobilized around US\$906.5 million of which US\$673.87 million was honoured. As much as US\$603.4 million has already been spent. Sixty-five percent of the honoured pledges were raised from external sources. These honoured pledges were both in monetary and non-monetary terms.



Ms. Midzi further highlighted that the public finance management system is very porous. Public resources continue to bleed through scandals in procurement, tender-prenuership, nepotism, and economies of affection (over ZWL\$300 million lost in COVID-19 funds). Instead of easing the COVID-19 burden on citizens, citizens' plight deepened at the messy of public officials who are entrusted with the responsibility to safeguard public resources but acted in self-aggrandizement. The cost of resource abuse includes the dilapidating and overwhelmed health facilities; shortage of drugs and equipment in public hospitals; shortage of PPEs for health professionals. The crumbling education sector, poor water and sanitation at a time when hygiene was the utmost priority; and a weak social protection framework that failed to meaningfully cushion the vulnerable and recently vaccine shortages.

She further indicated that there is a lack of transparency around COVID-19 vaccine procurements where US\$127.3 million was spent on 12.5 million doses including donation, it remains unclear. More

so, the information is not disaggregated making further analysis difficult.

The presentation made the following recommendations:

- ***There need to conduct a comprehensive COVID-19 resources audit in order to shed light on all donations, economic stimulus funds, borrowings, and other COVID-19 earmarked resource expenditures.***
- ***The institutional capacity of oversight institutions such as parliament needs to be strengthened to be able to effectively perform their PFM functions.***
- ***There is a further need to enhance transparency with regard to COVID – 19 debt contraction.***
- ***There is a need to reorganize Zimbabwe's social protection mechanisms by instituting an efficient, just and equitable social protection system to mitigate the negative impacts of the COVID-19 pandemic on poor and vulnerable groups.***

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4.3 PANELISTS:



MRS. VIRGINIA MAKANZA, COORDINATOR CENTRE FOR PUBLIC POLICY AND DEVOLUTION – MIDLANDS STATE UNIVERSITY

Mrs. Makanza indicated that the country seems not to have the right public institutions for public finance management. There is irresponsible borrowing by the government with a lack of transparency and accountability. With regards to the impact of COVID -19, she highlighted that it puts pressure on constrained public resources resulting in poor public service delivery particularly in health, education, and other social sectors. This threatens to reverse the gains that the country recorded in these sectors over the years. Women play an important role in these sectors hence they bear a huge burden.

COVID-19 increased inequality and poverty as livelihoods were hit by the lockdown measures but the social protection measures were inadequate to cushion the affected groups. She further noted that the pandemic exposed our state of unpreparedness to disaster: there were inadequate social safety nets; inadequate capacity to deal with economic shocks. Hurried decisions to respond to COVID-19 compromised public finance management procedures and led to illicit financial flows.

4.4 PLENARY DISCUSSIONS



HON. DANIEL MOLOKELE, PORTFOLIO COMMITTEE ON HEALTH AND CHILD CARE

Hon. Molokele highlighted that there is a need to amplify voices that talk about debt and development with clarity and confidence. There is also a need to increase public opinion makers who can influence the national discourse on debt and development. He further noted that there is a need to interrogate the debt legislative framework to establish how progressive it is; how is it able to enhance prudent debt management. There is, therefore, need for civil society to work closely with Parliamentarians to build their capacity to review the laws and to push for the reforms of the laws. Similar efforts also need to be invested in the debt policy framework. Building capacity of Parliamentarians to effectively play their oversight role

The following questions and comments arose during plenary discussions:

- Beyond the health and education impacts of COVID-9, food security issues need to be brought to the fore. According to the 2020, World Food Programme report already 7.7 million people in Zimbabwe are food insecure. Thus COVID-9 situation exacerbated the need for social service delivery to be apt so that there are adequate social security nets.*

Why do we borrow loans for social services that are never delivered? Is the challenge to do with the lack of a database to positively identify the vulnerable groups of society or it is a matter of squandering of public resources?

With the absence of a database of the vulnerable people, allocation of resources to these people becomes an even bigger challenge.

- To what extent is Zimbabwe serious in curbing corruption given the catch and release approach to the convicted government officials.*

Transparency and accountability on the management of public resources to be increased Access to COVID 19 information is a challenge. ZIMCODD was seconded in the COVID-19 taskforce hence had better access to this information to feed into the tracker. In addition, most of the information is aggregated prohibiting proper analysis of the utilization of the funds. The continued abuse of public resources overshadows the efforts government is making on COVID-19.



3rd ZIMBABWE SESSIONS

CHINESE DEBT ON DEVELOPMENT IN ZIMBABWE

5.1 PRESENTATION ON CHINESE INVESTMENTS, TRANSPARENCY AND DEBT SUSTAINABILITY IN AFRICA - DR. LAUREN A. JOHNSON



Dr. Johnson highlighted the issue of limited data to comprehensively assess China-Zimbabwe debt sustainability and impacts. Studies, however, have been conducted and provide some information.

She looked at the bigger picture of how Zimbabwe got to where it is. The Belt and Road Initiative and the maritime silk road is an agenda to tap into the markets that are still developing and will have future growth. China is building all the infrastructure to foster the next wave of growth which is in India and Africa.

She further noted that China's main source of lending is the Chinese Development Bank and China-Exim Bank. The latter has a bigger role in Zimbabwe. She highlighted that China being the home of the highest volumes of savings in the world was no longer enjoying a return on investing in American bonds or elsewhere after the 2008 financial global crisis. This then prompts them to look for new avenues to invest their savings.



The presentation showed that the Zimbabwe-China loan portfolio does not seem as enormous as compared to the bigger economies in Africa. The benefits of China's lending are unknown hence it is difficult to assess its net effect. The fact that it's unknown, however, means this has a negative effect as it does not adequately provide the necessary information for investment purposes.

She ended by recommending the following:

- *Zimbabwe can find a way of making its financing more sustainable by trading in unused carbon credits as a negotiating block to make China Development Bank loans better.*
- *The country could also pick lessons from the Chinese experience. China in the 1980s was*

not contracting too many loans but focused on agricultural productivity to tackle poverty and ensuring food security and incentivizing employment creation.

- *Zimbabwe to consider focusing on addressing corruption and governance issues. It needs to work on making corruption growth positive as a first step before getting rid of it.*
- *Zimbabwe can be creative by customizing the pillars of the Belt Road Initiative launch to suit its situation. These pillars include strengthening policy communication; strengthening road connectivity; promoting unimpeded trade; strengthening currency circulation; and strengthening people-to-people ties.*

5.2 PANELISTS

PATRICK ANAM - DEVELOPMENT REIMAGINED

Patrick indicated that only the debt granted by China was cancelled between the years 2000 and 2018. Whereas China is one of Zimbabwe's largest bilateral lenders, the lending needs to be contextualized in the sense that it was partly a request which is influenced by the fact that there was not much lending coming from other lenders yet Zimbabwe badly needed this debt. Some of this went into the construction of the R. G. Mugabe airport and Hwange thermal power station.

He further noted that the discussion needs to look at what inspires Africa to acquire debt. For African countries to be productive and attractive to the investment they need to borrow funds to invest in adequate and proper infrastructure. Chinese loans need to be looked at from a point of view of what they are coming to do and how African governments want to relate with these loans. Are they using it for agricultural productivity or social expenditure like health and education? The latter ensures an educated workforce, a key requirement for growth and development.

Patrick also submitted that the secrecy surrounding Chinese loans calls for the need to have a global framework that adequately addresses this issue. In terms of coordination, there is a need for not only China but other lenders to coordinate in terms of borrowing, debt relief among other issues. The coordination needs also need to be centred on the loan recipients. In as much as African countries are accumulating debt, they may not have a common

position on how to deal with the debt and how they must approach debt restructuring.

He observed that recipients of loans are not very focused on how to exploit the benefits brought about by the borrowed funds. There is a need for African countries to re-imagine how they want to interact with China and other development partners. The focus must be on the utilization of borrowed funds whether it should focus on national infrastructure or regional in the context of its continental free trade area agenda. There is a need for urgent action to address public finance management issues in Africa. This can be achieved through proper legislation, responsive governments, and responsive parliaments.

PROFESSOR DEBORAH BRAUTIGAM



Prof. Brautigam indicated that Zimbabwe received about US\$3 billion from 29 loans from China. By sector, energy received US\$1.4 billion, followed by telecommunications with US\$442 million and then transport with US\$356 million. China's loans are largely channelled towards investment than consumption implying that there is huge potential in increased job creation. 85% of the loans went to sectors that are related to job creation setting aside the issue of quality of the jobs and at the same time power is very essential for a modern economy. China Export-import Bank lends some of its loans on concession rates. These loans are repaid using revenues from the funded projects.

HON. EDMOND MKARATIGWA, CHAIR PORTFOLIO COMMITTEE ON MINES AND MINING DEVELOPMENT, PARLIAMENT OF ZIMBABWE



Hon. Mkaratigwa noted that the best way for Zimbabwe is to allow competition for investors which can allow the government to negotiate better terms for us. He also bemoaned the high level of informalisation, particularly in the mining sector. If properly harnessed, the sector has the potential to contribute to debt repayment. Learning from the Chinese development strategy, Zimbabwe can turn around its situation by crafting a strategy coupled with good implementation, sound work ethics, and a certain level of resolve for them to turn around their situation. China's foreign policy is commercially biased with a realization that economies are driven by countries' own strategies.

DR. RAMPHILL SILLAH, MIDLANDS STATE UNIVERSITY



Dr. Sillah indicated that Sub-Saharan Africa is seen as a producer and source of raw material hence any new super power that emerges aims to maintain the status quo. Chinese loans largely focus on capital loans that do not have a clear value chain empowerment or value chain multiplier effect. A true, all-weather friend will help its bilateral partner to escape the debt trap through funding value addition and economic diversification projects. Provision of loans for airport refurbishment without assistance to build an airplane assembly manufacturing plant is not good enough. The extension of US\$1.5 billion loan to refurbish the Hwange thermal power station when the world is calling for a ban on coal is not good enough. Zimbabwe risks ending up with a US\$1.5 billion loan for a power station that it might not use in the near future. A good weather friend would have directed us towards green energy investment such as lithium-based energy given our rich endowment in lithium deposits. The impression is that China does not have the interests of Zimbabwe at heart in getting it out of the debt and development conundrum. Any financier engaging Zimbabwe should ensure that the financing is done with a value chain protocol in place. Parliamentarians need to ensure that Zimbabwe does not contract loans with no value addition clauses forthwith.

He ended by noting that if Zimbabwe fails to repay its debts to China, there is a need to seek clear debt relief and cancellation frameworks that are not to the detriment of Zimbabwe but fair and reasonable to both parties.

5.3 PLENARY DISCUSSIONS

- What is the role of China with regards to the Asian infrastructure bank (AIIB) and the New Development Bank (NDB) that China contributed very much to their establishment in the context of the African and Zimbabwe development agenda?***

The AIIB has recently issued its first loans to an African country. It is more like the World Bank. The NDB has South Africa as a leading member is a slightly different bank that also does emergency financing more like the IMF. In the short term, China could be using these institutions to learn more about

development financing and multilateralism on its own terms. This might shape China Exim Bank and China Development Bank as a result of what they learn. These institutions are another way to invest abroad.

- China's strategy towards debt cancellation. It has recently taken part in the debt service suspension initiatives and the G20 common frameworks. Do you see its role in these initiatives as coming to the table with regards to the traditional donors we have seen in the past?***



responsibility to develop Zimbabwe but itself. We have a responsibility to develop our own country. We need to attract investment in the value chain, renewable energy, and other sectors but we cannot blame China but ourselves. China is doing what is best for itself. As a country, we need to embrace a culture of consulting citizens before contracting any debts. This allows the citizens to scrutinize the utilization and socio-economic benefits of such loans. As African countries, we have not been able to define national interest yet any foreign policy is tied to it. As a result, we have been falling for anything. As Africans, we have always presented ourselves and victims and beggars to the international community. Unless we work on our mentality, we will always be like that. There is no reason why the Chinese must construct a national parliament building in a country with immense resources. In the 1980s, China did not turn its back on foreign investors. It used foreign investors incredibly well for itself. China did it with very explicit goals of developing itself. Zimbabwe has to be clear on its national strategy; it needs to use China to its advantage. Zimbabwe's past prosperity can re-emerge but with better and more strategic governance.

**WRAP UP BY MR. TIRIVANGANI MUTAZU,
AFRODAD**

- *Commended participants and presenters for fruitful discussions.*





the Government signed a

US\$10 million

concessionary loan agreement with BADEA for the
procurement of PPE and laboratory equipment
towards COVID- 19



2 DAY ADAY

SESSION 4

TRANSPARENCY AND ACCOUNTABILITY IN PUBLIC FINANCE

6.1 PRESENTATION ON RESOURCE BACKED LOANS AND SUSTAINABLE DEVELOPMENT – DR. GORDEN MOYO, LUPANE STATE UNIVERSITY



Dr. Moyo highlighted that the conversation on resource-backed loans is a very sensitive issue because it talks about the natural resources of the people and how they are abused.

China is the champion of resource-backed loans in our era. China has overtaken the United States and the west as the largest trading partner in Africa. It has overtaken Japan in terms of economic development.

He further noted that there is geo-economic competition between China and other players. Its footprints are in extractive industries, energy, security, oil, gas, and various minerals for its industrialization programme. Resource-backed loans are loans that are provided to governments, state-owned enterprises; public entities, and agencies and paid directly through natural resources. A country gets a loan and repays it using resources, in other words, it is bartering. The resources are used as collateral to back



the loans. It can be the streams of revenue coming from those resources to repay the loan.

Dr. Moyo shared the good and the bad sides of resource-backed loans which include: attractive to African countries as they are a cheap financing model. The good side is that development finance is cheaper, available, and faster. Chinese are very fast in concluding their deals. The darker side, however, is that because these loans are cheap and easy to contract, countries have contracted huge Chinese loans which they are unable to repay. Angola started with a debt of US\$2 billion in 2004 but in 2018 it had risen to US\$24 billion. The current debt level for Guinea is about US\$20 billion. The challenge is that the countries become debt slaves and examples of such are Angola, Zimbabwe, Chad, Guinea, and Sudan.

The presentation noted that for Zimbabwe, the resource-backed loans are infrastructure-oriented loans. The problem with the Chinese infrastructure model, however, is that it is not geared towards the industrial revolution but political expedience. Geo-spatial mapping of all infrastructure by China shows that all the infrastructure is pointing to Mombasa, Beira, or Luanda for commodity extraction rather

than industrial development. Infrastructure that is not beneficial to general citizens such as women and youth is problematic. The other problem from the Chinese resource-backed loans is that buildings constructed by the Chinese are used for their cyber intelligence, Headquarters of the African Union is one example. Wherever the Chinese construct buildings, they put their intelligence communication.

Dr. Moyo showed that RBLs improve the liquidity of the country if done well. For instance, Sweden among other European countries has success stories on this. The problem with China is most of those loan funds do not flow to the borrowers. It exchanges hands from China Development Bank to Chinese engineering companies. That money was supposed to generate economic activity and create jobs whilst dealing with poverty and other development challenges but it does not come.

He concluded by noting that in Zimbabwe, our tobacco, chrome, and diamond have been used and we do not know the extent of mortgaging that is going on. African leadership needs to engage China as Africa not as individual countries. At that level, we can engage China eye to eye. Challenging China as individuals is not effective.

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6.2 PRESENTATION ON PUBLIC DEBT AND EXTRACTIVES – MS. VERONICA ZANO



Ms Zano highlighted that the extractive industry is a key contributor to the economic growth of Zimbabwe. There are various continental frameworks that govern the extractive sector that have been put in place to which Zimbabwe is a party.

For example, the Africa Mining Vision acknowledges the need to create a sustainable and well-governed mining sector that effectively garners and deploys resource rents. Zimbabwe is endowed with a huge mineral resource base whose exploitation should be a key source of revenue for the government (including production shares, royalties, taxes, dividends, and signature/discovery bonuses). If managed effectively, the additional fiscal space generated by this increased revenue can be used to promote growth.

She noted that the mining sector has not meaningfully contributed to treasury revenue over the years. The sector has been riddled with challenges which include the limited capacity to collect appropriate levels of revenue, a lack of long-term planning, illicit financial flows (corruption and tax evasion), and non-transparency relating to the awarding of contracts.

The presentation indicated that tax holidays being offered to investors is a cause for concern as the forgone revenue could contribute towards debt servicing and there are no clear benefits to citizens. The Zimbabwe government established a stabilisation fund in the form of a Sovereign Wealth Fund, however, the fund has not been fully operationalized and structures are still being put in place. Further, there is limited effort to join EITI by the government.

The presentation ended by recommending the following:

- ***There is a need to formulate clear taxation laws in the mining sector anchored on maximised revenue collection and management including internal controls and increasing the capacities of agencies to address revenue mismanagement and combat illicit financial flows.***
- ***Governments should take a cautious approach in taking resource-backed loans i.e. first determining whether it is the right financing tool to consider in the country's financial and governance context.***
- ***There is need for public scrutiny and Parliamentary monitoring and oversight safeguards to ensure that resource-backed loans are invested productively.***
- ***African governments should ensure efficient and effective domestic resource mobilisation from their extractive industry through transparent and accountable governance.***



6.3 PANELISTS

MR. TAFARA CHIREMBA, MINERAL GOVERNANCE OFFICER, ZELA



Mr. Chiremba highlighted the need to leverage mineral resources in driving domestic resource mobilization. He underscored the need to address issues of transparency and accountability in the mining sector to ensure the country fully benefits from it. The current Mines and Minerals Act does not provide for public disclosure of revenue; owners of mining companies, the role of parliament and participation of communities; and competitive bidding. These gaps in the primary law need to be addressed and aligned to international best practices on mining resource governance. Zimbabwe can choose to adopt the EITI or have a domestic version of EITI but it starts from reforming the mining legislation to premise it on the principles of transparency and accountability.

HON. BRIAN DUBE, PARLIAMENTARY PORTFOLIO COMMITTEE ON PUBLIC ACCOUNTS



Hon. Dube noted that the governing authorities should act in accordance with its national interest. China implemented its lending model to pursue its own national interest. Any other state with capital would have done the same. He remarked that leaders should pursue national interest through fighting corruption and adhering to principles of transparency and accountability to safeguard our resources.

MR. MUKASIRI SIBANDA, STOP THE BLEEDING CONSORTIA COORDINATOR TAX JUSTICE NETWORK IN AFRICA



Mr. Mukasiri highlighted that Zimbabwe was colonized by the British South African Company because of its minerals. Evidence shows that countries that are resource-dependent are highly vulnerable to illicit financial flows. He further noted that MNCs are responsible for the limited financial resources to address public needs in the country. According to European Commission, MNCs are responsible for 65% of tax fraud in Africa. The Government of Zimbabwe currently owes US\$153 million to Zimplats, U\$142 million to Anglo-Americans because they ceded back their mining claims back to the government. He concluded by outlining that there is a power imbalance between the global north and south and this needs to be addressed.



HON. JAMES CHIDAKWA, PARLIAMENT OF ZIMBABWE

Hon Chidakwa indicated that mining contracts are signed without the involvement of Parliament whose responsibility is to ensure that the signed deals benefit the citizens. Not only is accountability important but responsibility as well. He also indicated the conflict of interest inherent in the process as some legislators and executives are involved in the illicit deals in the extractives.

6.4 PLENARY DISCUSSIONS



Transparency and Accountability in Public Finan...

- ***What is the alternative to Sovereign Wealth Fund?***

The concept of the sovereign wealth fund is premised on the notion of ensuring that there are safeguards that a mineral resource-rich country maximizes on opportunities where they can be commodity booms through investment opportunities that the Fund can derive in increasing more revenue for the country. There is, however, a need for strategic analysis to establish our medium-to-long-term goals

on infrastructure development in order to safeguard against price shocks. The Sovereign Wealth Fund is not operationalized because the resource revenues are funding the greater part of the budget hence the need to grow the cake in order to widen revenue streams that will enable the country to leverage on the Sovereign Wealth Fund.

- ***How alive is the African Mining Vision? Could it be of any significance in terms of building on the vast natural resources Africa has as a continent? Is the Pan African Parliament significant enough to take up the discussions on accountability and transparency to the next level? Are there any opportunities for the African Continent to build on the natural resources and strengthen accountability through the African Continental Free Trade Area (AfCFTA)?***

If Africa works together on the same template on mining that will be effective. The African Mining Vision

whilst it is a good starting point, is affected by western and Chinese thinking and is not very transformative. More emphasis is placed on trading well rather than beneficiation and value addition. The AfCFTA is an opportunity to bring African countries together towards regional and continental integration. Once Africa begins to act as a body, it will be in the same league as the BRICS countries by virtue of sheer numbers and GDP. It can contest, converse and engage at that level. An example was when Africa engaged the WTO member states at the Doha Round of negotiations and was heard as it had one position.

5 Z O S S E S

CLIMATE CHANGE AND PUBLIC DEBT

7.1 PRESENTATION ON CLIMATE CHANGE AND ITS IMPLICATIONS ON PUBLIC DEBT IN ZIMBABWE BY DR. JOSEPH TINARWO

This presentation showed that there is a bidirectional relationship between climate change and public debt. Climate change is a key driver in the recent increases in infrastructure damage, droughts, and other weather-related catastrophes.



Droughts for example, negatively affect the four pillars of food and nutrition security as well as undermining the provision of human rights-related goods and services. Government response to these catastrophes increases pressure on public spending usually resulting in domestic and external borrowing. Climate change usually results in adverse economic impacts that shrink the tax base hence lowering tax revenues, increasing fiscal imbalances, and leading to increased public debt.

Dr. Tinarwo also highlighted regional and international experiences of the impact of climate change on public



debt with specific examples from Mozambique and Indonesia. The Climate Risk Country Profile for Zimbabwe informs that the country faced various climatic-related shocks between 1900 and 2017 i.e. 7 drought events, 22 epidemic episodes, 12 floods, and five storms, which resulted in total deaths of 7000 people, with more than 20 million people affected.

He indicated that there is limited coordination and harmonisation among stakeholders. The current institutional framework comprises a complex web of relationships (MECI, MPSLSW, CPU, NGOs, etc.) characterised by weak inter-sectoral mechanisms and fragmentation as well as duplication of activities in terms of roles and responsibilities at both national

and sub-national levels. Further, Government ministries lack the human and institutional capacity as well as adequate budgetary support.

They made the following recommendations:

- ***The need to promote climate-sensitive and resilience budgeting; debt relief and concessionary funding;***
- ***Strengthen early warning systems;***
- ***Put in place climate risk insurance;***
- ***Promote MSPs and multi-sectoral approach; and***
- ***Ensure adequate budgetary support is prioritised towards mitigation and adaptation efforts.***

7.2 PANELISTS

MR. LEONARD MANDISHARA, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF NON -GOVERNMENTAL ORGANISATION (NANGO)



Mr. Mandishara highlighted that climate change contributed to a huge debt in Zimbabwe and that it was imperative to find solutions to strengthen resilience to come out of the climate change-induced debt trap. Climate change further constricts the government's fiscal space as was witnessed in recurring droughts and the 2019 Cyclone Idai. Climate change affects the social and productive economic performance thereby depressing the government's revenue generation capacity. He further noted that climate change makes the country more vulnerable to debt and it affects the achievement of sustainable development goals if these challenges are not properly addressed. Investing in resilience and recovery is a priority. There is a further need for civil society to lobby the government to set aside specific resources and ensure that they are ring-fenced towards climate change resilience building.

MR ADRIAN CHIKOWORE, AFRODAD



Mr. Chikowore highlighted that multilateral institutions such as the World Bank are instituting frameworks such as the green climate funds; the ACCF and the least developed countries' funds. The funds are geared towards financing resilience within the Global South. This is because the Global North knows the impact of climate change. He indicated that financing from such facilities reaches the global south as loans instead of grants. He further noted that swiftly phasing out fossil fuels will affect industrialisation in the global south. Part of the SDRs can be channelled toward climate change resilience. While 14% of the population is in Sub Saharan Africa, only 3% of climate finance flows to the African region and this is very disturbing. Capacity development and early warning and response mechanisms are important.

Ö Z O S S E S S

ALTERNATIVES FOR FINANCING URBAN INFRASTRUCTURE IN ZIMBABWE

8.1 PRESENTATION ON ALTERNATIVES FOR FINANCING INFRASTRUCTURE IN ZIMBABWE - DR. TAWANDA ZINYAMA, UNIVERSITY OF ZIMBABWE



Dr. Zinyama noted that service delivery requires infrastructure to be in place. Local governance in Zimbabwe used to be robust before 2000. Thereafter, there was a massive decline in terms of service delivery. This was even evident from the national budget between 2000 and 2019. The central government could hardly allocate more than 1% of the national budget to infrastructure clearly showing how budget constraints are affecting the capital expenditure of public infrastructure. He further observed that the outbreaks of controllable diseases such as cholera, dysentery, and typhoid among others, are further evidence of the poor state of the national infrastructure. In 2021, the Government had to declare the state of our road infrastructure a disaster.

The presentation showed that traditional funding sources for local authorities such as user fees, property taxes are



inadequate to invest in new, upgrade and rehabilitate or maintain the existing infrastructure. Whilst the effort of the insurance sector, banks, and building societies is being registered in the area of housing, the political and macroeconomic environment is not conducive.

Dr. Zinyama pointed out that a lack of good governance constrains local authorities from accessing funds. The land is very important for infrastructure development however it has been parcelled for housing cooperatives without a clearly defined framework resulting in the demolition of houses.

The presentation made the following recommendations:

- ***There is a need for capacitation of local authorities to be able to adequately collect***

revenue. For example, the revenue collection rate is around 67% for Bulawayo City Council; and 50-60% for Harare City Council.

- ***There is a further need to address the non-revenue water in the form of leakages (ranging between 45-60% of treated water across the country).***
- ***Local authorities need the requisite technical skills to be able to undertake development projects in their jurisdiction.***
- ***There is a need to put in place a proper governance system within the local authorities.***
- ***Local authorities can make use of the land as a funding option. This can be done through land capture value and land auction as is done in other countries of the world.***

8.2 PANELLISTS

DR. DAVID MAKWERERE, BINDURA UNIVERSITY OF SCIENCE EDUCATION



Dr. Makwerere concurred with other speakers on the need to build capacity in councils to manage finance and prepare bankable projects. He also noted that opportunities exist to partner with the private sector through public-private partnerships and bringing local financial institutions on board. The presentation also indicated that the provision of devolution funds presented an opportunity to develop infrastructure by lower tiers of government. However, the central government continues to witness the intervene thereby killing the confidence of other actors who might have the potential to develop infrastructure at a local level. Whilst the private sector has immensely contributed to the provision of houses most of the ordinary people cannot afford them, further widening the inequality gap in Zimbabwe. Options need to be explored to ensure that the poor benefit.

HON MIRRIAM CHIKUKWA, PORTFOLIO COMMITTEE ON LOCAL GOVERNMENT AND PUBLIC WORKS



Hon. Chikukwa indicated that almost all local authorities have challenges in accessing funds from financial institutions partly because of poor governance. Residents write petitions to Parliamentarians of not receiving services but they do not pay rates to facilitate service delivery. She indicated that the Committee has been pushing for the devolution bill to be passed to facilitate the operationalization of devolution and hopes it will be brought to Parliament very soon. All local authorities receive devolution funds but most need training on financial management.



DR. FIDELITE CHIKEREMA, MIDLANDS STATE UNIVERSITY

Dr. Chikerema highlighted that the local authorities already receive the 5% intergovernmental transfer funds in the absence of a legal instrument in place to operationalize the devolution agenda. This poses challenges on monitoring and evaluation of utilization of devolution funds. There are existing financing options such as the Build Operate and Transfer, Build Own Operate and Transfer available to local authorities but there is no cost-benefit analysis being conducted by local authorities to ascertain the benefits of such arrangements to citizens. He concluded by noting that Local authorities need reorientation in terms of governance issues so that they attract partners in infrastructure development.

MR. PHILIP CHITSIKA – INFRASTRUCTURE DEVELOPMENT BANK OF ZIMBABWE (IDBZ)



Mr. Chitsika highlighted the issue of governance gaps and unwillingness to produce audited financial statements as some of the obstacles to financing infrastructure. Most banks require such financial information and good governance for them to fund infrastructure projects. He further noted that land presents the potential to local authorities to unlock funding but it remains potential due to lack of offsite infrastructure. On the issue of water leakages, Mr. Chitsika observed that countries like Japan employ people to move around pipes to detect leakages. As a result, they have 1% non-revenue water. There is a need for the implementation of economic tariffs on services provided by local authorities. A project will never become economically viable if tariffs are not economically meaningful.

8.3 PLENARY DISCUSSIONS

The following comments and questions were raised during the plenary:

- Zimbabwe's level of public sector investment ranged between 10-15% of GDP in the first 20 years after independence. This, however, stopped between 1998 and 2009 during the hyperinflationary era where there was zero infrastructure spending. The norm in other developing countries is that between*

8% - 25% of GDP goes to infrastructure development. The hyperinflation era saw the destruction of infrastructure in terms of maintenance which on average should be between 2-8%. Whilst the government is now targeting between 10-15%, the reality is without public borrowing, this target will not be achieved. Political interference and limited international finance are other

factors that explain the dilapidation of Zimbabwe's infrastructure.

- The Urban Councils Act and the Rural District Act as used by local authorities are archaic. They do not speak to local extractives. Implementation of Section 275 and 260 which give powers to the provincial council to know which resources

exist within the area becomes difficult. There is unaccounted extraction. The cases in Marange, Penhalonga, and Goromonzi are evidence of unaccounted extraction of natural resources with or without the consent of local councillors. There is a need for a policy to address this misalignment.



A Z I O N S E S S I O N S

IMPACT OF PUBLIC DEBT ON INVESTMENT, BUSINESS, AND EMPLOYMENT

9.1 PRESENTATION ON IMPACT OF PUBLIC DEBT ON INVESTMENT AND BANKING SECTOR OPERATIONS - DR. NIGEL CHANAKIRA



Dr. Chanakira indicated that Low-income countries require large amounts to address infrastructure needs such as roads, water, power, border posts among others, which ordinarily cannot be funded through the budget.

Zimbabwe is in an abnormal situation where it can neither tap into international finance IMF/World Bank funds who ordinarily fund public infrastructure nor domestic savings.

He further noted that under normal circumstances domestic debt is normally higher than foreign borrowing. Zimbabwe's case is abnormal because we marginalized domestic capital markets weakened the domestic banking system by printing money and rolling out the quasi-fiscal activity which triggered hyperinflation. People stopped saving and the value of pensions and insurance policies was eroded. The presentation



indicated that from independence to about the year 2000 before the domestic market was destroyed, the government would issue Treasury Bills, government stock, municipal bonds for funding purposes. That, however, became unfeasible in the 2000s. The government had no access to domestic borrowing. That triggered a situation where the government had to rely solely on taxation and international grants. Dr. Chanakira implored the government to fix the unconducive political environment; poor credit rating and the questionable credibility of a country to roll over debt; macroeconomic instability; poor corporate governance including flaws in the tender process. He further indicated that Zimbabwe's risk premium went too high because of the bad politics. There is, therefore, a need to address the political problems in Zimbabwe through re-engagement among the political parties.

The presentation made the following recommendations:

- *There is a need to ensure macroeconomic stability and run away from the volatile, unpredictable, complex, and ambiguous environment.*
- *There is a need for Zimbabwe to rebuild the domestic savings by offering meaningful interest rates.*
- *There is a need to enhance good governance. Money will always follow a compelling vision; good accountability; good project write-ups; technical design; feasibility studies. With good governance in place, there will be a need to lengthen and deepen our financial markets to allow for the trading of domestic and international financial instruments.*
- *There is a need for a careful review of tender processes; audits; compliance; monitoring; evaluation and competitive and comparative analysis of those public projects.*

9.2 PUBLIC DEBT AND INDUSTRIALIZATION BY MR. CORNELIUS DUBE, CONFEDERATION OF ZIMBABWE INDUSTRIES



Mr. Dube noted that industry requires key enablers which include technological capacity and skills base; infrastructure; and functional financial sector to be competitive. He further observed the absence of long-term savings which can be used for productive purposes

Zimbabwe's indebtedness limits the industry from accessing international finance. The presentation outlined that debt incurrence has the potential to boost industrial growth if the borrowed funds are utilized to expand economic capacity to produce. Locally, government borrowing increases competition for the few available financial resources thereby crowding out the private sector. This competition for resources results in high interest rates thereby making the industry uncompetitive. Failure by the government to service its debt constricts aggregate demand and reduces the government's fiscal space. It also increases the country risk thereby making offshore borrowing even more expensive.



The presentation recommended the following:

- ***Evidence reveals that Zimbabwe's debt choked industry performance. To minimize this choke, debt should create its own repayment capacity.***
 - ***Further borrowing must only be for expansion creation objectives and emergency response capacity.***
 - ***There is a need for a deliberate move to generate production capacity to resolve the historic debt.***
-

9.3 PANELLISTS



MR. FANUEL MUTOGO – CHIEF EXECUTIVE OFFICER, BANKERS ASSOCIATION OF ZIMBABWE

Mutogo outlined that when financiers are lending, they look at the intended use of the borrowed funds and bankability of the project to establish whether the project will be able to self-finance and repay the loan. He further highlighted that Zimbabwe's credit rating declined and this makes it difficult for Zimbabwe businesses to access international funding including banks. It makes it difficult for banks to fund local infrastructure as well as the industry's long-term funding needs for retooling. What is available is short-term finance but it is expensive. There is, therefore, a need to manage the high-country risk.



MR. PERSISTENCE GWANYANYA, INDEPENDENT ECONOMIST

Mr. Gwanyanya noted that excessive debt levels are not good for an economy and that there is an urgent need to restore fiscal responsibility. The country's currency, an indicator normally reflective of the health of the economy, has been affected by the debt levels. Despite the current efforts to stabilize the currency, it continues to depreciate, reflecting the permanent structural challenges that are embedded in our economy.



9.4 PLENARY DISCUSSIONS

During plenary the following questions, comments and responses were raised:

- Why is it that we have a budget surplus but it is not translating to solving the problems we are discussing today? Does it make sense to balance our books when the social fabric is in decline?***

A fiscal balance is an annual management tool while debt is historical- accumulation of deficits from wartime. It only relates to the current position rather than the overall fiscal position of the country. To an ordinary person, surplus means the government has more money than it budgeted for. This then raises the question of why it is not budgeting for undelivered public services with that surplus. It is important to admit that there is under-budgeting and not call it a surplus since we have unmet needs. Development should be multidimensional not just to be blinded by economic indicators. It does not make sense to balance books when the social (education, health, and infrastructure-wise) fabric is in decline.

- Zimbabwe does not have a clearly defined wealth creation model hence it is trapped in debt unsustainability. India moved from agriculture to ICT as a wealth creation model for the country. Switzerland has a wealth creation***

model based on trust. China sent its citizens around the globe to copy technologies and find cheaper means of developing them back home thereby making itself a manufacturing hub of the world.

- Given the history of mistrust between bankers and their clients and the failure of banks to pay positive interest to clients people are now keeping money at home. Why are banks not turning savings to fund investment?***

Deposits are going up but interest rates are punitive. The banking sector is equally affected by the high cost of doing business in Zimbabwe and this forces them to charge high interests. The Central Bank and banks are currently negotiating on this.

- What innovative ways can Zimbabwe employ to solve its debt problem?***

Zimbabwe should use debt prudently by investing loan amounts to fund productive purposes. Also, the country needs international re-engagement that sees it being able to participate in deep domestic and international money markets. More so, let us do Pfumvudza (climate-proofing) not only in maize but organic crops; beneficiate minerals, and agricultural products and create a globally competitive economy. The other option is disposing of some of the parastatals to clear off the debt.





3
DAY



SESSION 8:

IMPACT OF PUBLIC DEBT ON PERFORMANCE OF SOES/LOCAL AUTHORITIES & SERVICE DELIVERY

10.1 PRESENTATION ON THE HISTORY OF DEBT ASSUMPTIONS BY GOVERNMENT OF ZIMBABWE, MR. TAFADZWA CHIKUMBU, EXECUTIVE DIRECTOR TRANSPARENCY INTERNATIONAL ZIMBABWE



Mr. Chikumbu began by arguing that it is unfair for the public to be paying the debt owed by individuals and corporates. This is because the assumed debt was owed by individuals who are politically connected and the few elites that had access to expensive farm equipment from the RBZ. The justification was that there was a need for farmers to be capacitated following the land reform programme. The initial arrangement was that the beneficiaries would repay but this was reversed. This led to an exponential growth of Zimbabwe's public debt.

He further indicated that the total debt assumed for RBZ and ZISCO was US\$1.85 billion. RBZ's assumed debt amounted to US\$1.35 billion and this ballooned the domestic debt to US\$2.2 billion. The reason for this debt



assumption was to clean the RBZ balance sheet to allow it to borrow from the international market. The ZISCO Steel debt of US\$494 817 324 million was owed to external suppliers, commercial banks, private lending institutions, domestic supplies utilities, and statutory obligations. The presentation hinted that principally when an investment is done, a return is expected and should be used to repay the loan but because of poor governance this could not happen. The same reason for the assumption of ZISCO steel debt was to attract new investment.

Mr. Chikumbu raised a concern that the assumption of these debts through an act of Parliament set a precedence for more to come. These could be from the Air Zimbabwe, National Railways of Zimbabwe, and Civil Aviation Authority of Zimbabwe debts. The poor governance, abuse of power, corruption poor public procurement, and other irregularities in these parastatals are being rewarded by debt assumption and not holding management of those companies liable.

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10.2 PANELISTS

MR. VICTOR BHOROMA - INDEPENDENT CONSULTANT



Mr. Bhoroma highlighted that the impact of debt on state-owned enterprises is huge because they rely on external funding for investment and growth. There should be 100% privatization to non-strategic parastatals and partial privatization to those that are strategic. Concerning the performance of local authorities, Mr. Bhoroma noted that most authorities derive most of their revenues from property tax to be able to provide public services. They are not able to exclude non-rate payers. The growth in the urban population especially in Harare affects the ability of local authorities to deliver public services.

He further indicated that local authorities participate in the debt market through the issuance of bonds mostly backed by properties. However, the properties which they use as collateral are not properly valued. This affects their capacity to contract loans for infrastructure development especially roads and road maintenance. The other issue is that government borrowing through treasury bills has a crowding-out effect on local authorities. Local authorities are not able to compete with the government to issue bonds for the same funders. This again does affect service delivery. Further, there is a facility called a public investment programme where the government provides funding to local authorities for infrastructure development. The fact that government has high debt stock means that it is not able to fund this facility. This again adversely affects infrastructure development especially schools and clinics which are largely non-profit.



DR. TAWANDA NYIKADZINO, LECTURER AFRICA UNIVERSITY

Dr. Nyikadzino noted that the limited fiscal space the central government is operating within makes it difficult to support local authorities and parastatals. In other countries like South Africa, local authorities receive substantial financial support from the central government. Poor funding has meant poor performance and loss of public trust and ultimately a broken social contract. The residents who were supposed to support the operations of local authorities through payment of rates withdrew their obligation because of this lack of trust. Effective debt resolution needs to address the internal corporate governance issues that are partly explaining the dismal performance of local authorities.

He further indicated that there is a centralization of personnel, fiscal and political powers. Local authorities have no power to employ senior government officials. This turns the arrow of accountability upwards instead of downwards. There is a need to “build back better” through the adoption of a holistic approach that involves all the stakeholders.



MR. ARTWELL GONESE, SOUTHERN AFRICA PARLIAMENTARY TRUST

Mr. Gonese raised the issue that debt affects funding alternatives as parastatals' capacity is restricted and makes it difficult to attract quality investors. Air Zimbabwe, for example, had some of its airplanes impounded in London and O.R. Tambo International Airport due to unsettled debts. There is also the issue of inter-parastatal debts which affects their operations. We, therefore, need to come up with clear policies in terms of debt assumption in consultation with Parliament and citizens. To enhance corporate governance issues in parastatals, Parliament must be involved in the appointment of their board members. When a new minister comes in, there is a new board. Thus the high turnover of boards affects the operations of the parastatals. Further, Parliament should monitor how public funds are utilized in the parastatals. Pricing of the services they offer sometimes explains poor performance hence this needs a relook. In most cases, they become loss-making and end up accumulating debt. In addition, there is a need for a political will to fight corruption.



10.3 PLENARY DISCUSSION

During plenary discussions the following questions, comments, and responses were raised:

- *Cognizance of the causes of debt assumption, what could we have done better? What lessons do we pick?*

RBZ debt assumption was a premature decision to make for the state. This is because they had not established whether the beneficiaries of the scheme had failed to repay their debts. This highlights the need for the debt audit to flag out the non-performing ones. The government should ensure that there is a mechanism in place to prevent abuse of guaranteed loans. The debt that was assumed in 2015 is US\$1.3 billion but it continues to accrue interest, arrears, and penalties. It remains a burden to ordinary citizens. ZISCO Steel was assumed but the major worry is on poor corporate governance. There is a need to implement the recommendations of the Auditor General whilst ensuring that the provisions of the Public Finance Management Act are adhered to. A suggestion would be for the government to negotiate with investors to assume the ZISCO debt but relinquish their tax obligations until the debt is cleared.



Transparency and Accountability in Public

ZIMBABWE SESSIONS

GENDER, INEQUALITY AND DEBT

11.1 PRESENTATION ON UTILIZATION OF LOANS BY GOVERNMENT BY MR. PEPUKAI CHIVORE, DIRECTOR PARLIAMENT OF ZIMBABWE BUDGET OFFICE



In his presentation, Mr. Chivore gave a summary of loans that the government contracted from 2017 to date. In 2018, the government borrowed US\$153 million from China Exim Bank for Harare International Airport Expansion. In 2019, it contracted three loans namely US\$71 million for NetOne Mobile Network Expansion Project (Phase III); US\$23 million for the upgrade of the Bulawayo Thermal Power Station Project (Additional loan), and US\$19.5 million for Deka Pumping Station and River Water Uptake System Project. The 2019 loans were mainly project-related, semi-concessional as there was a grant element of around 30%. Total disbursements in that year amounted to US\$59.96 million. He further indicated that in 2019 the Government issued guarantees amounting to US\$18.3 million and ZWL\$157.8 million. Most of the guarantees



were to finance inputs for the 2019/20 agricultural season. This increased maize production to 2.8 million metric tons.

The presentation outlined that the government guaranteed a ZEDTC loan amounting to US\$110.4 million from Afreximbank in 2019 for the payment of accumulated debt on imported electricity (US\$79.5 million) and the procurement of prepaid smart meters (US\$30.9 million). Some stakeholders are calling for an audit of what Zimbabwe has borrowed from Afreximbank. In 2020, the government contracted a loan amounting to US\$32.95 from India Exim Bank for repowering Hwange 1-6 thermal power stations. There are arguments that Zimbabwe has contracted so many loans to repower Hwange 1-6 thermal power stations yet the world is moving green. This raises questions on the sustainability of such projects. As part of the contract, goods, works, and services valued at least 75% of the contract amount have to be supplied from India. The government also contracted a loan of US\$27.21 million from BADEA to enable the country to urgently respond to COVID -19 pandemic.

Mr. Chivore noted that Zimbabwe is a culprit of irresponsible borrowing and ineffective use of loans, grants, and donations. In 2021, the Auditor General, in a special audit report on COVID-19 pandemic resources pointed to schematic abuse of funds, revealing how fake names, identity documents, and mobile phone numbers were used in the grant looting scheme in which ZW\$890 million may have been stolen.

The presentation concluded by stating that to some extent, the government is implementing recommendations from CSOs with regards to gazetting loans as per the law. In 2020 for example, the Ministry of Finance gazetted external loan facilities worth US\$1.306 billion. However, the Auditor General's Report revealed discrepancies in the loan amounts; unreconciled debt payments, and penalty interests; as well as contradictory statements from the Debt Management Office as well as the RBZ with regards to treasury bills. Some of the loans had duplicated identification numbers.

11.2 PRESENTATION ON DEBT, TAX, AND INEQUALITY BY MR. MICHAEL ZUZE, POLICY OFFICER AFRODAD



The presentation also highlighted that in 2019, a number of SADC countries were either at high risk of debt distress (Zambia, Angola, and Malawi) or in debt distress (Zimbabwe and Mozambique). SADC countries have different levels of inequality with South Africa recording the highest

levels. Significant declines in inequality were noted in Botswana, Namibia, Lesotho, and Comoros between 2007 and 2017.

It was stressed that debt affects inequality through various channels. For example, high debt service requirements crowd out social expenditure thereby compromising the countries efforts to reduce inequality. Debt service ratios are high in some SADC countries constituting as much as 20% of government revenue. When in debt, countries resort to fiscal adjustments to deal with the debt problem but this results in a reduction in output and employment, and wages. This tends to increase inequality. SADC



countries with higher debt to GDP ratios have consistently recorded higher levels of inequality. Similarly, SADC countries with tax to GDP ratios have high levels of income inequality.

The presentation recommended:

- ***The minimization of tax exemptions by SADC countries because they deprive the fiscus of potential revenue that could be redistributed to address inequality.***
- ***SADC countries must be more progressive and tax the rich more than the poor. They***

must expand the level and coverage of social expenditure.

- ***They need to deepen access of low-income families to social services, particularly education and health.***
- ***SADC countries can expand the coverage of property tax and roll out conditional cash transfer programmes to reduce inequality.***
- ***There is a need to leverage technology as well as strengthen institutions responsible for public finance management to enhance revenue collection.***

11.3 PANELISTS



MS. JUDITH KAULEM, EXECUTIVE DIRECTOR POVERTY REDUCTION FORUM TRUST

Ms. Kaulem indicated that the infant mortality rate is estimated at 36 per 1,000 live births and the infants die from diseases that could have been controlled. Juxtaposition the indicators of human development; human poverty and quality of life against the high debt in Zimbabwe shows that the borrowed resources were not necessarily channelled towards productive investments that could have improved those indicators. Zimbabwe is sitting at 150 out of 180 countries globally on the human development index. When a government prioritizes servicing of debt over investing in social sectors, we see that women both as users of public services and as the majority of workers in those sectors, get a raw deal. When those sectors crumble, they crumble with the sources of livelihood of the majority of women who are in those sectors.

She further noted that debt is an instrument of power that exacerbates inequality. Debt repayment conditions bring cuts in the care economy and result in women who provide care whether paid or unpaid experiencing multiple and intersecting forms of inequality and discrimination whether on age, race, income level, ability, and disability. Public debt has resulted in widespread poverty and misery among the citizens; the rural folk is impacted more.

Ms. Kaulem ended by emphasizing the importance of transparency in public debt management. If there is full public disclosure of information on debt, this allows CSOs and Parliament to hold the government to account. Gender impacts assessments must be done prior to borrowing.



MR. MASIMBA KUCHERA, CENTRE FOR DISABILITY AND DEVELOPMENT

Mr. Kuchera noted that people with disabilities are about 15% of the population. If the debt is that bad for women, what more for women with disabilities? He indicated that the government must ensure that the resources to meet the needs of people with disabilities are met through ring-fencing some resources to guarantee their availability. It is critical for people with disabilities to be funded because disability is associated with extra costs to run normal life.



MR. MATIMBA MAPFUMO, ZIMRA

Mr. Mapfumo highlighted that it is unfortunate that sometimes the law does not discriminate between men and women when it comes to the payment and collection of tax. ZIMRA's recommendation is for CSOs to engage policymakers to review the tax regime, tax rates, or the number of taxes and tax heads that are levied. ZIMRA took note of the issues raised in the conference with regards to tax revenue collection and leakages (e.g., transfer pricing, illicit financial flows, and tax evasion) that impact domestic resource mobilization. ZIMRA is committed to implementing modern auditing and investigation techniques to curb these leakages.



HON. DR. MATTHEW NYASHANU, CHAIR PARLIAMENTARY PORTFOLIO COMMITTEE ON BUDGET, FINANCE AND ECONOMIC DEVELOPMENT

Hon Nyashanu indicated that there is nothing wrong with moderate levels of debt. He also noted that when debt is used for a project that does not benefit citizens and the country borrows beyond its capacity to pay, it becomes problematic. The Parliamentary Portfolio Committee on Public Accounts made efforts to establish who exactly benefited from the RBZ debt. That investigation is yet to be completed. There is a need to build strong institutions like the Parliament of Zimbabwe. Audit reports by the Auditor General expose huge governance; transparency and accountability gaps. These issues need to be addressed.



11.4 PLENARY DISCUSSIONS

The following questions, comments, and responses were raised during discussions:

- We have had command of agriculture. We have individuals who are not repaying loans from this facility thereby crippling the government's efforts in facilitating agricultural production. What do you think could have led the government in privatizing it? What mechanisms are in place to ensure borrowers of these funds repay?***

The majority of citizens have a culture of not repaying debts especially if the loans are from the government. Banks tried to create mechanisms to repay including stop order facilities but people were embarking on side marketing to avoid paying back the loans. When the government privatized command agriculture, it was a way of dealing with the moral hazards that had been created thereby increasing the repayment rate. The government is not making deliberate actions to recover owed debts. Women are good at repaying when they borrow. If men are not repaying let the facility go to those people who have shown the capacity to repay.

- What framework is used in Parliament to determine if a project is of national interest and is worth to be invested in through debt?***

From a developmental point of view, a project should attract local benefit and ensure there is a value chain that is created. For what and for whose benefit is our airport project after its completion. Ethiopia for

example is ever refurbishing its airport because it is ever-increasing its fleet of airplanes. There is also an economic model to it. If you use Ethiopian Airways, you have to pass through Addis Ababa embark on some form of business, and leave some money there before you leave. Who are we refurbishing the R.G. Mugabe Airport for when we have 2 airplanes? NetOne wants to increase network coverage to 5G. Such a project would make sense in a country like India as its economy is ICT production. We want to increase tech to 5G for whose benefit. Facebook and Tick talk will be smiling as they will have more subscribers. Ethiopia has a clear strategy on how to exploit the benefits from its infrastructure projects.

It is not Parliament's responsibility to decide on projects of national interest but the Executive. When parliamentary portfolio committees carry out budget consultations, citizens usually highlight projects that should be developed.

- Do we have a policy in place for local content when contracting debt? 75% of goods and services go back to India in addition to loan interest benefits. Do we have any percentages in place or plans to have them in place so that the local industry benefits from these projects?***

There is a need to interrogate the overall benefits to the locals as we negotiate for loan contracts. There is a need for the transfer of skills and local procurement. Chinese loans are not benefiting Zimbabwe but their companies. They bring their people and material. We can pick lessons from both China and India as they make sure that their loans benefit their people the most.



Government guaranteed a ZEDTC loan amounting to

US\$110.4 million

from Afreximbank in 2019 for the payment
of accumulated debt on imported electricity

(US\$79.5 million)

and the procurement of prepaid smart meters

(US\$30.9 million).

MISSION

THEOLOGICAL REFLECTION AND THE ROLE OF THE CHURCH ON ZIMBABWE PUBLIC DEBT DISCOURSE

12.1 THEOLOGICAL REFLECTIONS AND THE ROLE OF THE CHURCH ON ZIMBABWE'S PUBLIC DEBT DISCOURSE - BY PASTOR BLESSING MAKWARA - SECRETARY-GENERAL EVANGELICAL FELLOWSHIP OF ZIMBABWE

Pastor Makwara highlighted that theological reflection is an effort to look into the experiences of the people, where they are coming from, where they are and whether they could have done better. These reflections are done with the cognizance that we are made by God and that He has a position in all this debt conversation. It does not just end as reflection but with responses that are faith-filled because life is both the spiritual and the material.

He defined the church as a people or believers. In its leadership, the church is an institution. It is an instrument of the Divine. The church is a critical player in debt conversation as it represents 80% of the population in Zimbabwe. Its role is to serve as the salt of the earth and the light of the world for God's people to live in full life that is well-pleasing before Him.

Further, it plays a representative role. The church represents the sweat of the people. Some of the debts are accumulating when others are dying. So, who can speak for the dead? It is the church. The church then represents the people to negotiate with the authorities in order to



ensure that people have good living standards. As part of its representative role, the church was involved in coming up with the Zimbabwe We Want National Values Discussion document in 2005/6 and many other policies. The Zimbabwe We Want National Values Discussion is being referenced in many government policies.

Pastor Makwara pointed participants to the creation of the world when God said “let us create man in our own image so that he can have dominion over all creation” but not over one another. He challenged participants on how well they are doing this as they will all be accountable one day. When God chose Israel to be a chosen generation he said “I will bless you to be a blessing to other nations”. Thus the idea of God is for us to be interdependent on each other.

He concluded by informing that the Kingdom of God is about righteousness, joy, and peace within an individual and at their homes. The presentation also pointed to the Scriptures that illustrate that in God’s plan when debts are incurred, they must be repaid. He shared scriptures that show that debts distort relationships and must be avoided.

12.2 PLENARY DISCUSSIONS

The following questions, comments, and responses were raised during discussions:

- ***There was a time when churches were compelled to pay tax and contribute to the fiscus but churches were not ready to take up this obligation. What is your position on this as Jesus said to give to Caesar what belongs to him?***
 - *It remains a debate whether the church must be taxed or not. The argument has been to say given the nature of the church how do you enforce taxation. Clergies on salaries do pay tax but the majority of them live on gifts and offerings. These cannot be predetermined in order to establish tax that must be remitted. Given the work that the church does in*

offering psychosocial support, delivering social services in education and health, how then do you justify the morality of such kind of taxation?

- ***CSOs made efforts to address the debt issue. How best can they leverage on the church given your religious background of compassion and that debt does not only carry numbers but a human face. Congregants carry the face of poverty. To what extent can we negotiate or be better understood from the church perspective.***
 - *The church should assume a stance where it refuses to be confined to simply praying for the leadership of the nation. The church is in the community and therefore needs to understand what is happening to our public finance management systems. As an institution, the church should have within itself a platform that discusses the issue of public finance management. Jesus cast out congregants who were involved in illicit dealings in church. This implies that the church has a mandate of dealing with illicit activities that are bleeding the country's revenues.*

In Zimbabwe We Want Document, the church made itself available to help the government in international engagement and re-engagement efforts. Since 2006, the church has been able to do that through its offices across the globe and also meeting the financial institutions of this world to try and represent our nation. The church has also proposed to the Head of State, a framework it thinks should be used to address the country’s debt problem.



CLOSING REMARKS

13.1 DR. YUNGONG THEOPHILUS JONG, HEAD OF PROGRAMMES AFRODAD

On behalf of AFRODAD, he extended his gratitude to participants for the successful multi-stakeholder conference that mobilized citizens to discuss issues of debt management. He informed participants that the conference came at a time when Africa is grappling with an unsustainable debt burden. The conference was an opportunity for stakeholders to share experiences on how to manage the debt problem better. Debt distress affects development hence the urgent need to deal with it. Dr. Jong underscored the need for all stakeholders to work together to find lasting solutions to this problem. African countries must be responsible when it comes to debt and macroeconomic management. The conference is a work in progress and opened the space for further discussions among stakeholders from diverse backgrounds. The conference communiqué will feed into the Harare Declaration to come up with an African position on debt management. He thanked participants and support staff for making the event a success.



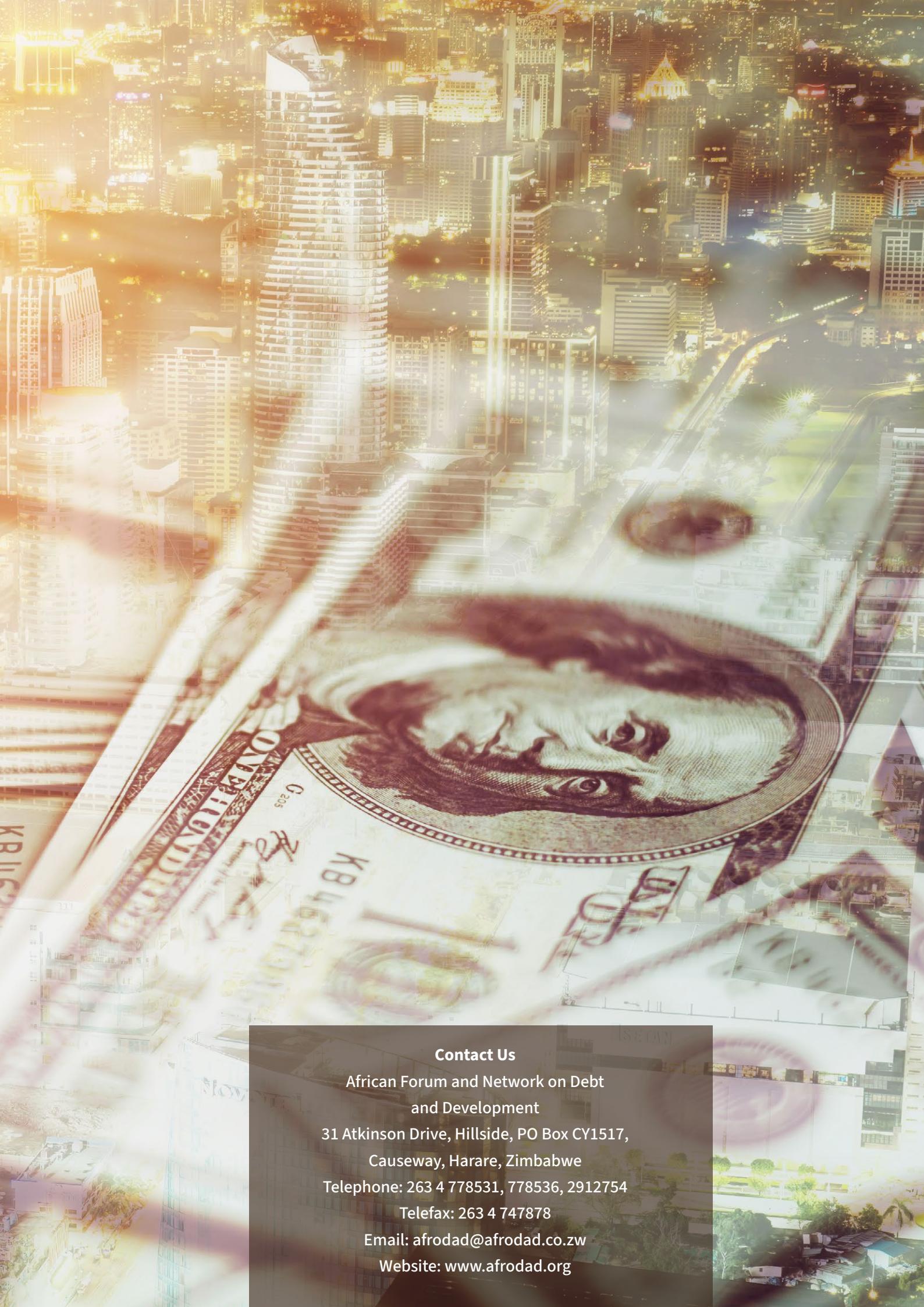
13.2 MRS. JANET ZHOU, EXECUTIVE DIRECTOR ZIMCODD



Ms. Zhou thanked participants for attending and engaging in important discussions. She expressed her gratitude to all the presenters for preparing and sharing insightful presentations and highlighted that the issues were so new and very different from

discussions held in previous conferences. She hoped the stakeholders were closer to the solutions needed to deal with Zimbabwe's debt problem.

She informed participants that the draft communiqué from the conference covered most of the issues discussed. Ms. Zhou urged the participants to enhance processes that lead to transparency and accountability. She further highlighted the need to put citizens at the centre of the debt dialogue so that they are not left behind yet bear the brunt of poor public service delivery. She concluded by informing participants that ZIMCODD is grateful for the partnership it has with AFRODAD and stressed that the regional perspective the relationship gives is key.



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