

5TH EDITION OF THE ZIMBABWE DEBT CONFERENCE

17-19 MAY 2023

COMMUNIQUE

**Strengthening Transparency & Accountability in Public
Finance Management to Build Resilient, Inclusive &
Sustainable Development**



AFRICAN FORUM AND NETWORK
ON DEBT AND DEVELOPMENT



PREAMBLE

Debt plays an important role in the resource mobilisation strategy of any country. However, the processes of its contraction, sources, structure and its implications on the economy and the lives of people need to be carefully considered. If managed unsustainably, debt can be intractable and can deprive citizens of socio-economic development with women bearing the brunt of it. Inequality continues to manifest in different facets of life with the poor and vulnerable perpetually short-changed. As with the rest of Africa, Zimbabwe is saddled with a huge debt overhang. Already, efforts are currently being made by the Zimbabwean government to address the debt question. These include the promulgation of the Public Debt Management Act and the Arrears Clearance Strategy to name a few. Institutions such as the Debt Management Office, the Public Accounts Committee, Parliamentary Portfolio Committee on Budget and Finance are already established and making efforts to improve debt management. Despite all this, debt levels have been soaring. As at end of September, Zimbabwe's total public debt (external and domestic) including RBZ debt, was estimated at ZWL\$10.97 trillion. Of the total, external PPG debt accounts for 79.6% (ZWL\$8.7 trillion), including Blocked Funds 13.2% (ZWL\$1.5 trillion) and domestic debt representing the balance at 20 per cent (ZWL\$2.2 trillion). The amount for the compensation of Former Farm Owners (FFOs), amounting to ZWL\$2.18 trillion (US\$3.5 billion), represents a significant share of domestic debt at 97%. Undoubtedly, there is a compelling case to deal with public debt.

Zimbabwe Coalition on Debt & Development (ZIMCODD), African Forum and Network on Debt and Development (AFRODAD) and partners organised the 5th edition of the Zimbabwe Debt Conference bringing together various stakeholders drawn from government ministries, departments and agencies (MDAs), oversight institutions, commissions, academia, national and regional civil society organisations deliberated and collectively noted that:

- The global debt architecture is designed in a way that plunders and profits from poor African countries such as Zimbabwe to feed the pockets of the global north countries without any reparations. It is not by accident but by design.
- The International Monetary Fund's (IMF) antidotes do not adequately and effectively support the narrative that places greater priority on the fulfilment of creditors' interests thereby depriving socio-economic development.
- The debt problem is not peculiar to Zimbabwe. In the SADC region, Malawi, Mozambique and Zambia are also in debt distress.

- Since Zimbabwe attained its independence, the appetite for borrowing has been increasing. Failure to service the debts coupled with penalties has resulted in Zimbabwe plunging into a vicious cycle of debt.
- Further, the government has assumed the debts of parastatals including the Reserve Bank of Zimbabwe resulting in the ballooning of the national debt stock.
- Local government debt has also become unsustainable and is weighing heavily on public service delivery.
- The motive for some loans is commendable but however, some of the borrowed funds are invested in sectors that do not have the capacity for repayment. A case in point is the agricultural sector through various farm mechanization programmes and public enterprises' debt.
- The existence of these external debt payment arrears and penalties remains a major obstacle to the achievement of the National Development Strategy 1 (NDS1) objectives and the attainment of Vision 2030.
- If properly managed, Zimbabwe's vast mineral resources can be leveraged and contribute to addressing debt challenges in Zimbabwe. However, the mining sector is the highest emitter of illicit financial flows.
- The 2nd High-Level Structured Dialogue Platform Meeting and the crafting of the Arrears Clearance Strategy demonstrate the determination of Zimbabwe to address the debt question.
- The Conference acknowledges efforts by the government of Zimbabwe in fighting corruption, particularly the development and launch of the National Anti-Corruption Strategy (NACS) among other legislative and institutional reforms to improve public finance management. Gaps in implementation were also noted.
- Various Parliamentary Portfolio Committees, the Public Accounts Committee in particular are making efforts to improve debt management through conducting Public Hearing Meetings to understand the state of indebtedness within parastatals and are pushing for reforms, especially accounting standards.
- The Parliament as a whole is not effectively performing its functions as far as debt management is concerned as legislators' active participation is affected by the whipping system.
- The High Court recently ruled in favour of ZIMCDD in a case where the Coalition sought to compel the Finance Minister to amend the Public Debt Management Act and strengthen Parliamentary oversight role in public debt management. The ruling was welcomed by CSOs as a result of its promotion and alignment to the SADC PFM Model law principles.

OF CONCERN

- Continued issuance of government guarantees to non-viable private and public entities.
- Growing local government debt and resultant poor service delivery.
- Continued mortgaging of natural resources against external loans.
- Legislative and systemic gaps within the mines and minerals sector giving rise to corruption, smuggling and illicit financial flows.
- Sluggish pace in the enactment of the Public Finance Management Amendment Bill.
- Rampant corruption weakening efforts of leveraging on domestic resource mobilisation as an alternative to finance development and depending less on external borrowing.
- Evident correlation of debt and corruption in Zimbabwe contributing to debt sustainability.
- Inefficiencies and leakages within the public procurement system.
- Trust and confidence deficit in fiscal and monetary policies.
- Slow implementation of resolutions and commitments by the global north towards climate financing. Debt justice is not possible without climate justice.
- Limited space for citizen participation in policy making processes.
- Formulation and implementation of austerity policies at the expense of social protection of citizens.
- Gaps within the procurement process that create avenues for corruption and rise in debt given that most government projects are funded through debt.
- Limited role of Parliament in terms of scrutinising loan agreements, debates and deciding whether the loans are useful or not. This leaves loan contraction exclusively to the executive arm of government.

PARTIES TO THE 5TH ZIMBABWE DEBT CONFERENCE THEREFORE RECOMMEND AND COMMIT TO:

- Conducting an independent national debt audit.
- Strengthening systems and institutions to uphold debt transparency guided by the African Borrowing Charter.
- Expediting the enactment of the Mines and Minerals Bill, ensuring principles and aspirations of the Africa Mining Vision, especially those that touch on improved revenue collection are incorporated.
- Aligning all laws governing public finance management with the constitution of Zimbabwe including the Public Finance Management Act, the Public Debt Management Act, the Finance Act among others.

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- Promoting the formulation and implementation of progressive tax policies including a tax incentives framework for foreign and domestic investors.
 - Review and strengthening of public procurement laws to achieve value for money in mega infrastructure projects.
 - Strengthening and upholding the oversight role of Parliament in Public Finance Management- legislating the requirement for prior parliamentary approval for all government loans is an urgent imperative.
 - Rebuilding public trust and confidence in fiscal and monetary policies and measures through policy consistency, predictability and credibility.
 - Upholding that the discourse on climate financing must have a human face, a gender, cultural and historical perspective.
 - Promoting broad informed participation of citizens individually and in groupings within the ongoing structured dialogue platform as part of the Zimbabwe arrears clearance and debt resolution strategy.
 - Assisting the Ministry of Finance and Economic Development to comply with the High Court order to amend and align the Public Debt Management Act with the Constitution of Zimbabwe.
 - Depoliticize and decriminalise the discourse on public debt management, particularly the demand for debt transparency and accountability and also ensure the protection whistle blowers.

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