



# THE WEEKEND READER

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

## THE ZIMBABWE ANNUAL MULTI-STAKEHOLDER DEBT CONFERENCE COMES TO AN END

The 5th Edition of the Annual Zimbabwe Debt Conference that ran from the 17th-19th May wraps up today following strong deliberations on the debt question that we face. This dialogue brought together multi-stakeholders (government, development partners, parliament, media, civil society, academia, private sector and think tanks) together to deliberate on debt and development. This year 's conference was opportune given the strides that the Government of Zimbabwe has made in giving prominence to public debt management and the High Level Structured dialogue being conducted by government.

### Arising concerns on the debt question

#### Our odious debt burden

Zimbabwe's current debt stock is unsustainable as it has increasingly blocked lines of credit for developmental projects. The current public debt sits at US\$17.6 billion<sup>1</sup>. Our Minister of Finance, Mthuli Ncube is quoted stating, "The external debt overhang continues to weigh down heavily on the country's development efforts, as access to external financing remains very limited due to the accumulation of external debt arrears."<sup>2</sup> Our concern lies in the absence of information on how we reached such an amount and where the funds were used. It is our sincere hope hence that the present process will include an effort to rationalize the source of this debt and determination of its legitimacy.

#### Lack of transparency in debt accumulation

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

1. [https://www.veritaszim.net/sites/veritas\\_d/files/Statement of Public Debt 24 November 2022.pdf](https://www.veritaszim.net/sites/veritas_d/files/Statement%20of%20Public%20Debt%2024%20November%202022.pdf)

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

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

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

Resolutions from the conference reiterate and strengthen the following:

- **An Independent Debt Audit:** Since 1980, Zimbabwe has not conducted a debt audit. This is in the midst of all the alleged abuse of resources from public loans by public officials. A debt audit is not necessarily a witch hunt but an evaluation that brings forward valuable lessons for future debt management practices. It is the basis for sustainable debt management strategy.
- **Increased Debt Transparency:** Public Debt is a critical aspect of public finance management. Treasury must be duty bound to provide the citizens of Zimbabwe regular granularized public debt management information. Borrowing is done on behalf of the citizens and repayments are done by the citizens, it is only logical that the same citizens must be made aware.
- **Domestic Resource Mobilization:** sustainable alternatives to finance development must be identified outside of borrowing. This includes efficient and sustainable tax revenue collection and management. Government must ensure that all individuals and businesses pay their fair share of taxes and not just focus on easy targets. Individuals splashing unexplained wealth, must be made to demonstrate tax paying records.
- **Odious Debt Assumption:** The inclination to transfer the debt burden from individual and state-owned companies to the citizens must stop. The RBZ Farm mechanization program and loan schemes are a case in point. Those who benefitted from such quasi fiscal programs should be obliged to repay.

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