AFRODAD

Zimbabwe Coalition on Debt and Development
ZIMCODD

PROCEEDINGS REPORT OF THE ZIMBABWE MULTI-STAKEHOLDER DEBT CONFERENCE HELD ON 29-30 OCTOBER 2019, MANNA RESORTS, HARARE.

List of Acronyms

AfDB	African Development Bank
AFRODAD	African Forum and Network on Debt and Development
CSOs	Civil Society Organisations
CZI	Confederation of Zimbabwe Industries
DR.	Doctor of Philosophy
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IFIs	International Financial Institutions
PFMA	Public Finance Management Act
PPPs	Public Private Partnerships
SADC	Southern African Development Community
SMEs	Small and Medium Enterprises
SSA	Sub-Sahara Africa
TBs	Treasury Bills
UN	United Nations
US$	United States Dollar
WB	World Bank
ZIMASSET	Zimbabwe Agenda for Socio-Economic Transformation
ZIMCODD	Zimbabwe Coalition on Debt and Development

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INTRODUCTION

The African Forum and Network on Debt and Development (AFRODAD) and Zimbabwe Coalition on Debt and Development (ZIMCODD) co-hosted the Multi-Stakeholder Debt Conference from the 29th to the 30th of October 2019 at Manna Resorts.

The African Forum and Network on Debt and Development (AFRODAD) and Zimbabwe Coalition on Debt and Development (ZIMCODD) co-hosted the Multi-Stakeholder Debt Conference from the 29th to the 30th of October 2019 at Manna Resorts. The conference was held under the theme: "***Enhancing Public Resources Transparency and Accountability***" The participants were drawn from various sectors of the economy i.e. Government, parastatals (ZIMRA), business (CZI, SMEAZ), civil society organisation (CSOs), non-governmental organisations, parliamentarians, academia, faith based organisations, development partners, international financial institutions (IMF and World Bank), regional financial institutions (AfDB), think tanks, the private sector as well as members from the media fraternity.[1] The conference was aimed at unpacking the debt question in Zimbabwe and propose policy interventions for consideration by policy makers.

Zimbabwean's total public debt-to-GDP has been above the SADC regional threshold of 60% as well as the constitutional provision debt limit of 70% for more than a decade now.[2] The total public debt was estimated above US$16.8 billion at the end of June 2019, with more than 50% being domestic debt. Another significant debt component is the rapid rise of Chinese debt over the past decade, with the Chinese loans accounting for almost 30% of the external debt stock as of December 2018.[3] Despite the increased accumulation of Chinese debt there has been limited transparency on the terms of these loans and this has led to numerous speculations about the conditions attached to such loans.

The accumulation of public debt has been overwhelming and the State is failing to provide basic human rights (right to food, shelter, water, health and education) as enshrined in the Constitution and related pieces of legislation due to debt distress. This has led to high tax burden on citizens and businesses in a desperate attempt to finance these debts. There has been an outcry over public debts being taken without taking due diligence and lack of proper project appraisal to ensure value for money. As if it is not enough, there is no consultation with citizens and lack of transparency, creating room for corruption. The mortgaging of natural resources to secure new loans remains a cause for concern especially its implications on intergenerational equity.

The conference proceeded by way of presentations, panel discussions as well as question and answer sessions, giving participants ample time to exchange intelligence, air views and get enlightenment from experts. The conference was actually a forum to discuss the origins, quantum, impacts of public debt and sustainable ways of managing it. The conference was aimed at achieving the following objectives;

- Communicate clearly on the issue of debt and provide regular and detailed updates;
- Assess the impact of Zimbabwe's debt on citizens;
- Build collaborative plans to tackle Zimbabwe's rising debt;
- Continue to consult with stakeholders and share policy recommendations that would potentially address Zimbabwe's debt situation.

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[1] Refer to participants list
[2] AFRODAD Annual Debt Report 2019
[3] AFRODAD Annual Debt Report 2019

2. SUMMARY OF PROCEEDINGS

2.1 Opening Remarks - Dr. Richard Kamidza (AFRODAD Board Member)

Zimbabwe Multi-Stakeholder Public Debt Conference was officially opened by an AFRODAD Board Member, Dr. Richard Kamidza.

Dr. Richard Kamidza delivering opening remarks

The Zimbabwe Multi-Stakeholder Public Debt Conference was officially opened by an AFRODAD Board Member, Dr. Richard Kamidza. In his opening remarks, he expressed concern over the effects of rising public debt on expenditure on health, education and infrastructure development. He further noted that debt in itself is not a bad thing, but debt contraction should be done considering debt sustainability while maximizing the returns to development

He mentioned that Zimbabwe was one of the eight African countries in debt distress. The impact of which has not spared industry. Debt distress has manifested through high taxes, tough business climate and deteriorating public investments compromising delivery on services particularly electricity, health and water. The challenges obtaining as a result of debt invoked AFRODAD and ZIMCODD to create a platform for the interrogation into debt contraction, transparency, accountability and resolution in Zimbabwe.

In his concluding remarks, Dr Kamidza urged civil society groups to help the government to manage the economy through sound, transparent and accountable loan acquisitions and debt contraction.


Tafadzwa Chikumbu (ZIMCODD) – giving opening remarks

2.2 Key Note Address - Tafadzwa Chikumbu Socio-Economic Analyst (ZIMCODD)

In giving his key note address, ZIMCODD's Socio-Economic Analyst, Tafadzwa Chikumbu requested the participants to visualise the impacts of austerity measures to ordinary citizens especially at a time when the country is implementing the 2019 National Budget whose theme is "*austerity for prosperity*". The austerity measures were introduced to deal with the country's fiscal deficit and debts through cutting of government expenditure (salaries, allowances) and increasing government revenue (tax, toll fees etc).

Mr. Chikumbu challenged the delegates to take collective responsibility in dealing with macroeconomic challenges bedevilling the economy and the debt crisis in particular.

The participants were further requested to reflect on the following manifestations of austerity measures since January 2019:

- Social unrest in January 2019 which left several protesters injured and properties destroyed;
- State of public service delivery in Zimbabwe;
- The plight of striking doctors and nurses;
- Brothers and sisters dying in hospitals because medical doctors are on strike. In the same vein, there is no medical equipment and other supplies and that the generality of Zimbabweans cannot afford medical equipment;
- A pregnant woman and the baby dying giving birth because no one is available to attend to them;
- The rise in unpaid care work especially, that which is associated with looking after the sick and vulnerable groups in our society;
- The plight of the unemployed youth;
- A vendor in the streets playing hide and seek with the police;
- A former government employee whose pension been eroded by inflation;
- The state of infrastructure and electricity shortages amid high indebtedness of most state-owned entities

Based on the key reflections, instead of reducing poverty, public debt has increased the miseries of the poor. The correlation between heavy indebtedness and the incidence of poverty has also been accepted by multilateral institutions which linked debt relief with poverty reduction programmes. However, he encouraged the delegates to the conference to pin their hopes on the abundant human and natural resource endowments at the country's disposal.What then remains is setting the foundations for good governance, rule of law, transparency and accountability and inclusivity in all national decisions. Mr. Chikumbu drew people's attention to the uniqueness of the Zimbabwean debt which has been exacerbated by the huge debt arrears currently at 76% of the total external debt, continuous violation of legal and constitutional provisions, secrecy and exclusionary decision making by policy makers.

In his concluding remarks, Mr. Chikumbu challenged the delegates to take collective responsibility in dealing with macroeconomic challenges bedevilling the economy and the debt crisis in particular. Parliament, central government, civil society, international financial institutions and the private sector were further challenged to play their roles in resolving the current debt crisis and shaping a sustainable debt management framework going forward.

2.3 Regional Perspective on drivers of increasing public debt in Sub- Saharan Africa - Tirivangani Mutazu (Senior Policy Analyst for Debt Management at AFRODAD)

The presentation indicated that the country has since set a standard of defying debt procedures set out in the Public Finance Management Act and Public Debt Management Act.

Mr.Tirivangani Mutazu (AFRODAD) - Presenting on regional debt dynamics

The presentation highlighted that Africa like any other continent has major development aspirations ranging from Addis Ababa Action Agenda, the Agenda 2030 and the African Union Agenda 2063. However, all these aspirations need funding in order to invest and make significant benefit to the economy. His presentation hinted that historically, development finance was channelled through official development assistance (Paris Club, bilateral donors), IFIs (World Bank, AfDB) as well as foreign direct investment but attention has since shifted towards borrowing from other private lenders, emerging bilateral lenders such as China and in the domestic market. He further noted that these traditional sources of development finance however, remain unreliable and inadequate considering debt distress in developing countries.This then calls for that innovative sources of finance could considerably reduce Africa's dependence on external resources if properly leveraged. He proposed the use of PPPs especially for major infrastructure projects and issuance of sovereign bonds in international markets.

His presentation attributed the rising regional indebtedness in the continent to losses in export revenue for example commodity prices shocks, deterioration of current account balances, decline in export revenues and heavy losses in trade tax revenue. He further noted that in the Sub-Saharan region, public debt-to-GDP ratio has been on the rise since 2013 from 40 percent in 2013 to 57 percent in 2016. The main debt drivers according to the presenter include public investment, negative external shocks, exchange rate depreciation and increased interest payments.

He acknowledged that Zimbabwe has been in debt distress for years as evidenced by arrears to International Financial Institutions (IFIs) and rise in finance from non-traditional external creditors due to difficulties in accessing traditional funding. Despite financial turmoil in the country, he indicated that uptake of domestic financing alternative of Public Private Partnerships (PPPs) is still very low. Furthermore, he observed that the country's debt challenges are constrained by the commitment which the Zimbabwean Government made to white farmers whose land was grabbed during the land reform programme of which the total resources needed are not yet known but this have implications on public debt.

The presentation indicated that the country has since set a standard of defying debt procedures set out in the Public Finance Management Act and Public Debt Management Act.
During the plenary session, it was observed that not all infrastructure investments are necessarily linked to growth. The infrastructure should be linked to the rest of the economy to ensure positive returns to society. Participants further noted that proper project appraisal should inform project selection to ensure getting value for money.

2.3.1 Ways of addressing debt vulnerabilities and financing development

During the plenary, participants and panellists proposed the following:

- Mobilizing domestic revenue and improving on expenditure quality can create fiscal space for development spending without endangering debt sustainability.
- Debt management strategies should be anchored on credible macroeconomic frameworks. Borrowing should only be considered for investment projects with credibly high rates of return.
- Strengthening public debt transparency can help support sustainable borrowing and lending practices. Improving recording and monitoring of debt creates more complete picture to manage debt more effectively.
- Monopoly of debt information by authorities in terms value of the loan, fees, charges and interest inhibits proper oversight by civil society.
- Venturing in public private partnerships (PPPs) as a possible source of development financing especially infrastructure development where huge resources are required.
- Reduce dependency on commodities which are prone to price fluctuations. This may be achieved through accelerating structural transformation.
- Transparency and accountability in debt management is crucial. There should be a project appraisal to assure value for money and to ensure the funds are utilised for the intended purpose.
- Adhering to strong macroeconomic fundamentals and improving the investment climate results in more government revenue due to high private sector investment.

Left Patrick Imam (IMF Resident Country Representative) emphasizing a point during discussion

2.4 Mozambique Debt Experience - Sidonio Domingos Tembe – Economist (Mozambique Debt Group)

The presentation indicated that the stock of public debt / GDP in Mozambique in 2016 was 128%, of which about 15% was related to hidden debts.

Sidonio Tembe Presenting on Mozambique Debt Experience

Sidonio highlighted that in Mozambique public debt started to rise around 2010, but later on accelerated. He noted that the unsustainable debt situation was mainly fuelled by the discovery of hidden debts in 2016 which were contracted between 2013-2014 in favour of ProIndicos (state guarantee US$622 million), Mozambique Asset Management (state guarantee of US$535 million) and EMATUM (state guarantee US$850 million).

The presentation indicated that the main drivers of rising debt include:

- poorly prioritized investments (including real estate investing);
- excessive investments to support the extractive industry;
- high dependence on imports;
- low commodity prices on the international market and imported inflation;
- Debt self-reproduction (debts to pay debts).

Sidonio illustrated that compared with Sub-Saharan African countries, Mozambique has almost 3 times the Debt Stock / GDP ratio above the average of these countries since 2016. He further indicated that the debt / GDP stock situation deteriorated rapidly (doubled) from 2014 to 2016. His presentation showed that even without the hidden debts, the growth of the public debt was already quite worrisome, however, the hidden debts have significantly affected the sustainability situation, given their unfavorable conditions of payment (commercial or non-concessional nature) that imply high interest payments in a very short period.

Sidonio Tembe

The presentation indicated that the stock of public debt / GDP in Mozambique in 2016 was 128%, of which about 15% was related to hidden debts. However, the hidden debt service accounts for more than 60% of total public debt service. The economic and social impact of hidden debt according to the presentation include loss of confidence from cooperating partners; suspension of direct budget support and other lines of support and assistance to the country; decline of investment and exchange rate depreciation (from around 34 in 2014 to 64 in 2019) and decline in the expenditure on health and education.

He further outlined that there are expectations that Mozambique's economic and social problems (including debt) will find a solution from future gains from natural gas exploration. However, the presenter hinted that the country is vulnerable to exogenous macroeconomic shocks (cyclical fluctuations in demand, and changes in international commodity prices, interest rates, credit availability, and exchange rates), natural disasters (droughts, cyclones, floods, etc.), and is also prone to occasional social manifestations. In his conclusion, he pointed out that the Government of Mozambique has set up a Parliament Inquiry Committee resolve the issue of hidden debts and an independent audit was conducted which came up with incriminating report and recommendations.

2.5 Zambia Debt Experience - Kangwa Mayundu (Consumer Unit and Trust Society International)

Zambia is one of the countries in southern Africa facing an external debt crisis with public debt amounting to US$19 billion of which 74% is owed to private creditors both outside and inside the country

Kangwa Mayundu (in the middle) speaking on STAR FM during the conference

Her presentation outlined that Zambia is one of the countries in southern Africa facing an external debt crisis with public debt amounting to US$19 billion of which 74% is owed to private creditors both outside and inside the country. She further indicated that debt repayments are increasing rapidly due to high interest on private creditors. In order to meet debt payments, she highlighted that Zambia's foreign reserves have fallen from US$3.5 billion in June 2014 to US$1.5 billion in June 2019 implying that with rising debt servicing the country may run out of reserves 2019 and 2020. The country then faces an impeding risk of defaulting especially to private creditors. The presentation further hinted that the rising public debt is impacting on public spending by government. For instance in 2019 the IMF expects public spending per person to be 18% less than in 2015 and it is expected to continue to fall to a level of 28% 2024.

2.5.1 Recommendations

In an effort to resolve Zambian rising debt, the presentation recommended the following:

- All future loans to the government of Zambia should be publicly disclosed so that parliament, media and civil society can hold government to account on how the loans are used.
- No lender should lend if the Zambian government refuses to publicly disclose the existence of a loan, its terms, and what the money will be spent on. Lenders should take measures to ensure loans are well invested, including following in full the UNCTAD Principles and Guidelines on responsible borrowing and lending.
- Lenders should share in the costs of the current debt crisis. Lenders are jointly responsible for an unsustainable debt being created.
- The public external debt should be restructured, especially the high interest Eurobonds and external commercial bank loans.
- The IMF should only be willing to lend to Zambia if there is a debt restructuring during the programme which gets Zambia's debt risk down to 'moderate – with space to absorb economic shocks', or if Zambia defaults on the debt.

2.6 Current challenges in Zimbabwe's Debt Position - Tatenda K. Nyachega (Consultant)

The presentation outlined that Zimbabwe inherited a debt to the tune of US$700 million from the Rhodesian government in 1980 and since then borrowing has continued....

Tatenda Nyachega – Presenting on Debt situation in Zimbabwe

His presentation centred on the Zimbabwe debt experience since 1980 and discussed drivers of the debt a together with issues that are threatening debt sustainability in the country.The presentation outlined that Zimbabwe inherited a debt to the tune of US$700 million from the Rhodesian government in 1980 and since then borrowing has continued especially from the Bretton Woods Institutions, Africa Development Bank and China among others. He indicated that Zimbabwe's public debt has accumulated to US$16.81 billion as at the end of June 2019 of which 72.8% of external debt are arrears whilst domestic debt is about 37% of GDP. It is way above the regional average of 20%. He further noted that these debts have largely been attributed to high budget deficit, central bank overdraft facility, costly infrastructure projects and depreciation of local currency. Country creditworthiness has been in jeopardy and has negative implications on the lines of credit.

The presentation highlighted that Zimbabwe's debt management legal framework is highly rated by development partners such as World Bank. However, despite having these widely acclaimed legal and institutional frameworks, there is a cancer in government of failing to abide by the governing laws. He categorically pointed out that borrowing limits for Government which were not fixed by the National Assembly resolution and the Ministry of Finance is not willing to present to Parliament a comprehensive report on loans raised and guarantees issued by the State.

The presentation outlined efforts that have been undertaken by the government to address the debt problem. They include: Domestic Debt Restructuring (2001-2008), Sustainable and Holistic Debt Strategy of 2010, Zimbabwe Accelerated Arrears Clearance Debt and Development Strategy in September 2010, the Lima Strategy Lima of October 2015 as well as the current Austerity for Prosperity. In addition, the presentation revealed that tax burden on citizens has increased due to high public debt e.g. the 2 percent tax on electronic transaction.

Hon. Felix Mhona (Chair Budget Portfolio Committee) responding to Questions

Participants raised concern over unwillingness by Zimbabwe and most other African countries in paying back when they borrow which led to huge debts. There was general consensus during the discussion that implementation of recommendations from Portfolio Committees remain a challenge and that there is a gap in the legislation regarding steps that should be taken when the executive fail to implement such recommendations. Participants further noted that the new forms of borrowing in the form of goods present challenges when it comes to quantifying the debt.

2.6.1 Recommendations from the Plenary

Implementation of punitive and deterrent measures to the executive as a way of encouraging responsible borrowing and improved transparency

- There is need for fiscal discipline prescribing the government to expend within its means.
- Countries should borrow responsibly and avail debt information to the public to discourage hidden debts which burden current and future generations.
- There should be regular debt audits which reveal amount owed, to whom, what the money was used for and the terms of the loan.
- Adherence to legal debt management provisions as provided for in the public finance and debt management legislation.
- Implementation of punitive and deterrent measures to the executive as a way of encouraging responsible borrowing and improved transparency.
- Harnessing domestic resource mobilisation to reduce overdependence on borrowing to finance development in the country.
- Strengthen institutional capacity for debt management.
- Infrastructural development should be linked to the rest of the economy for it to generate net positive return to society.
- There is need for a debt barometer to trace debt development in terms of compliance with the legislation and the institutions that are available
- There is need for monitoring and evaluation of command agriculture funding so that government does not continue to lose money.

2.7 China-Zimbabwe Relations: Impact on Debt and Development in Zimbabwe - Reginald Chaoneka (AFRODAD)

...most of Chinese loans are backed by commodities or land rights while some of the projects such as cultural centres, government buildings, and stadiums have a weak link to growth and should not be prioritised

Reginald Chaoneka (AFRODAD) – Presenting on Chinese investments

The presentation focused on the Chinese investments in Zimbabwe and uncovered areas that need improvement. He highlighted that the Zimbabwean Government shifted attention to Asian countries due to the emergence of sour relations with Western countries which triggered decline of investments and official development assistance from western countries. The Zimbabwe government focused its attention to China giving birth to the Look East Policy. His presentation further indicated that China invested heavily in mining, telecommunications, power generation, and housing projects in Zimbabwe and that only a small proportion of these investments are in the manufacturing sector.This, he argued reduce the multiplier effect of investments in sectors such as real estate,agriculture and infrastructure since most of the goods will be procured from outside the country.

In general, the presentation noted that Chinese investments lack transparency, may not adhere to minimum environmental or labour standards and also favour Chinese service providers. He also hinted that most of Chinese loans are backed by commodities or land rights while some of the projects such as cultural centres, government buildings,and stadiums have a weak link to growth and should not be prioritised.

Baogang Zhao (Deputy Ambassador Chinese Embassy) – Clarifying issues raised

The presentation concluded by outlining that China has been an important partner for the Government of Zimbabwe in terms of technical cooperation, human development resource cooperation, debt relief, medical assistance and goods and materials amongst other forms of aid.

The Chinese Deputy Ambassador however argued that Chinese financial institutions carry out due diligence before approving projects. He further informed the conference that China prioritises critical projects when issuing loans. Other participants noted that Zimbabwe does not have a concrete plan when she engages China and usually bargains from point of weakness because of lack of alternative options. Participants also noted that most of the mega deals especially Memorandum of Understanding remain unimplemented while some contracts face similar challenges due to lack of commitment on either part.

2.7.1 Policy Recommendations from the plenary

Parastatals and local government loans from China need to be managed and mechanisms should be put in place to ensure they are properly administered and receive Parliament oversight.

- There is need to strengthen debt oversight in terms of scale, terms and conditions of lending regardless of the source of finance to avoid debt surprises.
- Loan resources should be directed to capital projects that have ability to payback and also towards productive sectors of the economy, contrary to funding recurrent expenditure.
- There is need to bind Chinese companies to work with Zimbabwean companies especially on projects funded by government loans. This can be achieved through specifying the minimum percent of work that locals should undertake in such projects.
- Non-disclosure clauses in loan contraction should be avoided since they reduce transparency and accountability.
- Parastatals and local government loans from China need to be managed and mechanisms should be put in place to ensure they are properly administered and receive Parliament oversight.
- Chinese investments should be skewed towards manufacturing to improve government revenues and the multiplier effect in the economy.

2.8 Strengthening Debt Transparency and Legislation - Fadzai Jekemu (Transparency International Zimbabwe)

Furthermore, she indicated that Section 61 of the PFM Act states that aggregate amount that may be borrowed should not be more than 30% of the general government revenue in the previous year.

Fadzai Jekemu (Transparency International) – presenting on legislation alignment

The presentation paid more attention to gaps that are in the legislation that governs public finance and debt management. She outlined that Section 298 of the Constitution spells out that all aspects of Public Finance Management with regards to public borrowing and transactions involving the national debt must be carried out transparently and in the best interest of Zimbabweans. However, she noted that the Public Finance Management (PFM) Act needs to be aligned with the constitution to reflect the principles contained therein. Her presentation further explored Section 299 of the Constitution and hinted PFM Act limits Parliament's oversight only through committees of Parliament, the act does not have provisions to set up institutional and administrative frameworks that are used by the Parliament to monitor and have oversight of state revenue. Furthermore, she indicated that Section 61 of the PFM Act states that aggregate amount that may be borrowed should not be more than 30% of the general government revenue in the previous year. However, despite all the clear guidance from legislation there is continuous violation of the provisions.

Participants recommended the following:

- Use of masses (Povho) as an alternative way to demand accountability from the executives petitioning them to listen and follow the law of the land
- Removing Section 129(K) of the Constitution because it presents challenges to Members of Parliament when demanding accountability from the executive. They may end up being recalled by their political party when they raise motions which implicate senior part members in the executive.
- There is need for a national anti-corruption strategy with pillars: Judicial Integrity, Land sector governance, Mining Sector governance, Business Integrity which will enhance Public Finance Management and empower citizens.
- Participants noted that the Reserve Bank of Zimbabwe is building up huge debt through issuing Treasury Bills. This is crowding out private sector investment.

2.9 Effects of Debt and Human Rights- Tafara Chiremba (Consultant)

Over the years budget allocations towards some key sectors such as health and education were dwindling.

Tafara Chiremba – presenting on effects of debt on human rights

The presentation was centred on the impact of rising debt on social service delivery to citizens. He began by revealing that the Constitution of Zimbabwe orders the State and all its institutions to facilitate rapid and equitable development. He however noted that in facilitating the development people must be actively participate as reflected by the 1986 United Nations (UN) declaration on the right to development.

He highlighted that inability of government to provide basic services is partly due to the sovereign debt, as it weighs down the capacity of the state to guarantee its citizens certain rights as provided by the Constitution and the Bill of rights. Over the years budget allocations towards some key sectors such as health and education were dwindling. His presentation further noted that sectors such as education and health have been greatly affected; this has been evidenced by staff disgruntled over low salaries; rise of private educational making education unaffordable to the majority and incessant strikes by doctors and nurses have made right to healthcare a nightmare.

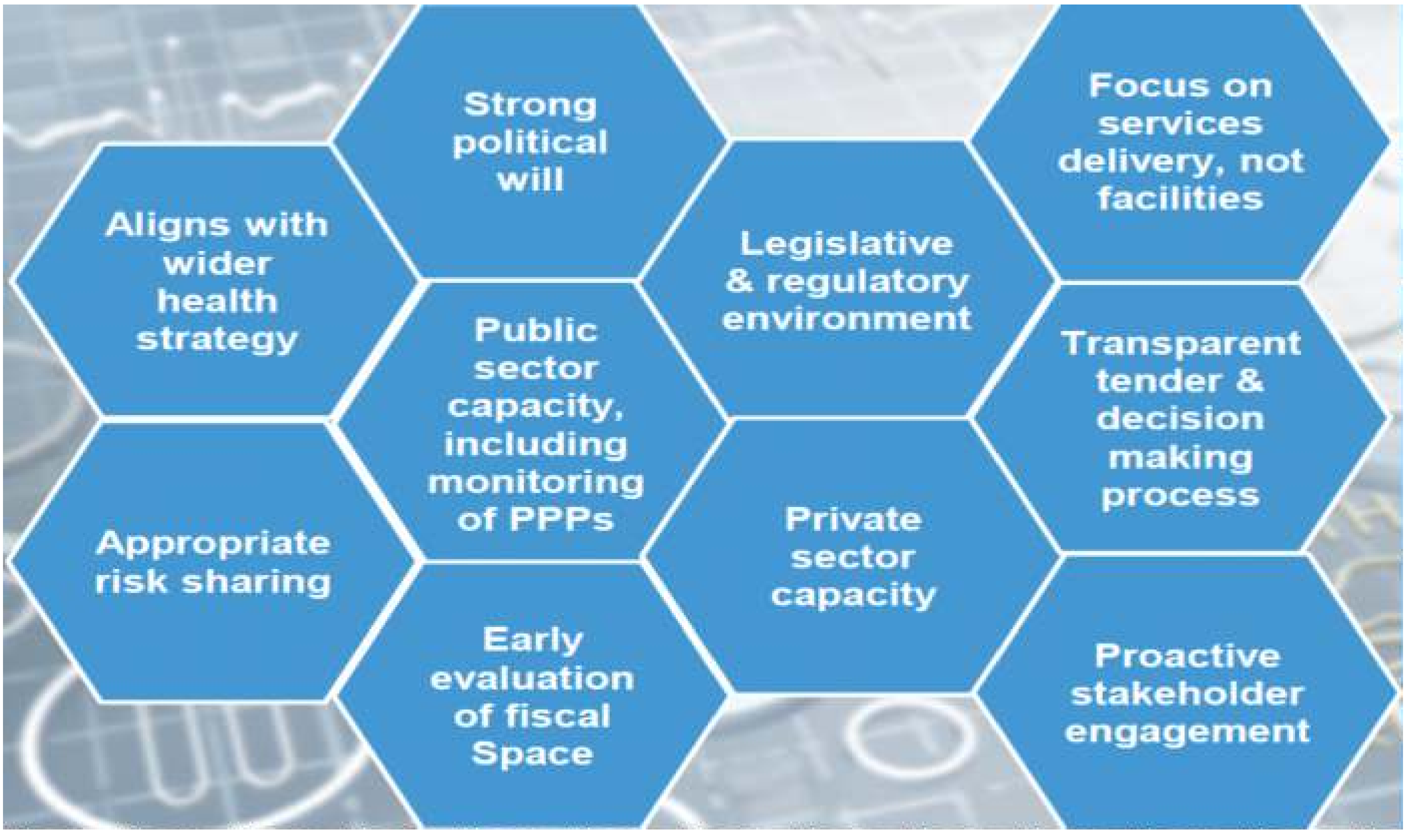
2.9.1 Recommendations from the Plenary

Father Gwese (left) discussing human rights issues arising from public debt

- The PFM Act needs to embrace public participation and input into debt contraction, in keeping with constitutional principles and international best practice
- Abuse of borrowing powers by the executive should be addressed
- Parliament though its law making, representative and oversight functions, should scrutinise loans as well as assessing their implications on the fundamental rights of the people of Zimbabwe
- The government should engage think tanks, civil society and the private sector before borrowing.

2.10 Social Services Delivery and the Implications of Privatisation & PPPs on Health Services delivery In Zimbabwe – Stella Ilieva (World Bank)

Her presentation focused on health service delivery in light of public debt and PPPs. She outlined that PPP arrangements have their own weaknesses its bankability depends on the following success factors:



She gave Lesotho case where the Ministry of Health in Lesotho partnered with Consortium of local investors and constructed a 425 bed capacity hospital and clinics, the following lessons can be drawn for Zimbabwe:

- Capacity to design, negotiate and manage PPP contracts is important.
- Economic stability reduces fiscal risks. Government should focus its policies on addressing the recession and exchange rate volatility which is returning back the risk to the public sector.
- Transparency in project selection, procurement, contract implementation, and impact evaluation are critical for the success of the PPP.
- Need to manage and account for fiscal risks.

Stella Ilieva (World Bank) presenting on PPPs in Health

2.11 Challenges bedevilling Zimbabwe's health sector – Walter Chikanya (ZICHIRE)

...the implementation of PPPs have been low due to uncertain political terrain and lack of legal framework.

Walter Chikanya (ZICHIRE) presenting on challenges of PPPs in health sector

The presentation gave an overview of challenges in the health sector in Zimbabwe and the problems associated with PPPs. He noted that the Zimbabwe health sector has suffered a myriad of challenges which include: reduced funding from national budget, lack of technical capacity, high dropout rates in health care posts, high doctor/ nurse/ midwife to patient ratio, disease outbreaks and out-dated laws. His presentation indicated that the idea of PPPs was mooted in 1998 to address funding and technical capacity problem. However, the implementation of PPPs have been low due to uncertain political terrain and lack of legal framework.

He gave an example of PPPs implemented at Chitungwiza and Marondera hospitals as joint ventures where there was no consultation, sensitisation and education to the public. Below are the pros and cons of PPPs.

Pros of PPPs in Chitungwiza and Marondera hospitals outlined in the presentation include:

- Improved infrastructure;
- Value for money on medical care for the affording class;
- Effective and efficiently health delivery.

Cons of PPPs in Chitungwiza and Marondera hospitals as outlined in the presentation include:

- Access to health for all was hindered due to high consultation fees making it difficult for vulnerable communities to access health care.
- Commodification of health services
- Susceptible to corruption especially during tendering
- Compromises quality because of private vendor profit motive.
- Government accountability will be diminished due to cover-ups by the private sector.
- Contractors have a tendency to inflate costs and overcharge government.
- Poor monitoring & evaluation of performance of these contracts.

2.11.3 Recommendations from the Plenary

- Review outdated national health policies, with inputs from other stakeholders inclusive of the private sector, academia and civil society organizations.
- Improve efficiency in public health sector by constantly monitoring outcomes from public institutions.
- Ensure that there is clear rationale to engage private players in health.
- When engaging in PPPs government should ensure that they carry out due diligence to evaluate the merits and de-merits of such ventures.
- Besides financial costs, they should also assess the capacity of the communities to pay for the services that the PPPs project will bring.
- Private sector should ensure that they mirror government efforts to provide quality and affordable services.
- Citizens and CSOs to engage Parliamentarians to lobby Government to increase domestic health funding.

2.12 Private Sector Perspectives and Solutions to Help Address Debt Situation- C. Mucheneka (CZI Trade Economist)

..the issuance of treasury bills (TBs) to finance a domestic public debt has an inflationary effect capable of eroding consuming public value..

The presentation reflected on the effects of rising public debt on the private sector. He noted that the debt situation in the country has reduced room for lending to the private sector leading to crowding out effect as large fiscal deficits are being financed through domestic borrowings. The net effect is hampering prospects of private investment and growth. His presentation further implored that the issuance of treasury bills (TBs) to finance a domestic public debt has an inflationary effect capable of eroding consuming public value through debt which in turn affect the demand for products.

He urged the government to use loans for productive purposes and improving the business climate. For instance, if resources are channelled to health, education, and infrastructure sectors such as power and roads so as to enhance productivity of both human and physical capital.

The presentation suggested alternative models for Government such as:

- Sustainable use of the country's natural resource endowment.
- Address corruption and abuse of public resources.
- Improving the doing business environment to act as an investment pull factor, particularly FDI.
- Adherence to allocations and spend as and when resources are available.

Efforts should be put in place to reduce unnecessary expenditures while expanding revenue generation capacity in the economy.
The participants encouraged government to keep its role of creating an enabling environment and not to borrow money to buy maize and fuel as this would elbow-out SMEs out of business.

The participants encouraged government to keep its role of creating an enabling environment and not to borrow money to buy maize and fuel as this would elbow-out SMEs out of business.

3 Stakeholder voices on Practical solutions to address debt

Participants proposed the following on issues regarding public debt:

- Ordinary citizens require proper capacity building, proper information on debt to be able to hold the executive to account.
- Capacity building should be rolled out to Parliament to allow them to effectively undertake the oversight role on debt management and overall public finance management system.
- There is need for an all-inclusive dialogue on national debt since it goes beyond party politics.
- There should be improvement in access to information on debt in terms of what we borrow, where we borrow and how we intend to repay.
- Young people were encouraged to engage in politics and speak for themselves on issues regarding debt.
- Civil society should be coordinated and speak with one voice.
- People should come up with concrete petitions to the Parliament to be incorporated in the Constitution towards debt management
- There is need to strengthen good governance, transparency and accountability
- AFRODAD and ZIMCODD were urged to develop a reform matrix (detailing various issues discussed in the conference) and develop and action plan and make a follow up on it.
- Oversight institutions on debt management should have necessary information in order to take the executive to account.
- Advocate for an amendment to the Public Debt Management Act and incorporate sanctions to those who violate the Act.

Appendix 1: List of Conference Participants

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