2022 ANNUAL DEBT MANAGEMENT REPORT FOR ZIMBABWE

October 2022

2022 Annual Debt Management Report for Zimbabwe

ISBN 978-1-77931-567-0

© 2022
All rights reserved to AFRODAD and ZIMCODD

African Forum and Network on Debt
and Development (AFRODAD)
31 Atkinson Drive Hillside,
Harare, Zimbabwe
Telephone: +263242778531
Website: www.afrodad.org

Zimbabwe Coalition on Debt
and Development (ZIMCODD)
9 Bargate Road
Mt. Pleasant
Harare
Tel: +263242776830
www.zimcodd.org

CONTENTS

ACKNOWLEDGEMENTS

The October 2022 fourth edition of the Annual Debt Management Report for Zimbabwe was prepared by the Lead Researcher, Dr. Gorden Moyo. It also received guidance and review by AFRODAD Team (Jason Braganza, Yungong Theophilus Jong, Tirivangani Mutazu and Reginald Chaoneka). Special gratitude also goes to the ZIMCODD Team: John Maketo, Eustinah Tarisayi and Zvikomborero Sibanda for reviewing and providing insightful inputs to the report.

The Report was also validated during the fourth edition of the Zimbabwe Debt Conference, which was held in Bulawayo, 12-14 October 2022. We would like to thank all the participants that provided inputs to the report including the Ministry of Finance and Economic Development, Reserve Bank of Zimbabwe, Parliament of Zimbabwe, University of Zimbabwe and National University of Science and Technology.

TABLES

BOXES

FIGURES

ABBREVIATIONS & ACRONYMS

AG	Auditor General
AfDB	African Development Bank
AFRODAD	African Network on Debt and Development
BRI	Belt and Road Initiative
CAAZ	Civil Aviation Authority of Zimbabwe
CBZ	Commercial Bank of Zimbabwe
CDC	China Development Bank
COVID-19	Coronavirus Disease 2019
CSOs	Civil Society Organisations
FBC	Financial Banking Corporation
GDP	Gross Domestic Product
IDA	International Development Association
IDBZ	Indigenous Development Bank of Zimbabwe
IMF	International Monetary Fund
HIPC	Highly Indebted Poor Country
MDRI	Multilateral Debt Restructuring Initiative
NDS1	National Development Strategy 1
NEAPS	National Enhanced Agriculture Productivity Scheme
NRZ	National Railways of Zimbabwe
PDMA	Public Debt Management Act
PEPs	Politically Exposed Persons
PPG	Public and Publicly Guaranteed
PPP	Public Private Partnerships
PPRIZ	Public Policy & Research Institute of Zimbabwe
RBLs	Resource Backed Loans
RBZ	Reserve Bank of Zimbabwe
SADC	Southern African Development Community
SDRs	Special Drawing Rights
SEPs	State Enterprises and Parastatals
SERA	State Enterprises Restructuring Agency
SOEs	State-Owned Enterprises
TIZ	Transparency International Zimbabwe
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade & Development
USA	United States of America
ZAADDS	Zimbabwe Accelerated Arrears Clears Debt and Dev
ZEPARU	Zimbabwe Economic Policy Analysis and Research Unit
ZESA	Zimbabwe Electricity Supply Authority
ZIMCODD	Zimbabwe Coalition on Debt and Development
ZIMRA	Zimbabwe Revenue Authority
ZISCO	Zimbabwe Iron and Steel Company
ZPDMO	Zimbabwe Public Debt Management Office

EXECUTIVE SUMMARY

The 2022 Annual Debt Management Report for Zimbabwe is themed "Leveraging Public Finance and Debt Reforms for Sustainable Economic Growth and Inclusive Development". It is the fourth edition of an independent Annual Debt Management Report that is jointly prepared by the African Forum and Network on Debt and Development (AFRODAD) and Zimbabwe Coalition on Debt and Development (ZIMCODD). This comes as a sequel to the 2019, 2020, and 2021 independent debt management reports that focused on the implications of public debt in the era of the COVID-19 global pandemic. The 4th edition of the Annual Report takes a slightly different slant from its previous ones in that it gestures its audiences towards the post-COVID-19 era, debt resolution, international reengagement, and sustainable economic growth. In particular, the Report provides an appraisal of Zimbabwe's public debt and debt management operations between July 2021 and October 2022 with the aim of nudging the policy makers to urgently address the debt crisis that the country is currently facing.

Zimbabwe is officially burdened with public debt of approximately US$17.5 billion of which US$14.043 billion is external debt stock alongside ZWL$2.235 trillion worth of domestic debt[1]. The total PPG debt increased by 27.5% from 2021 figure of US$13.722 billion which is a remarkable increase in one year only. The figures are in line with IMF projections 2022 PPG debt to be US$17.5 billion and consolidated public sector debt of US$18.4 billion[2]. and Of major concern is the accumulation of external debt payment arrears and penalties for the past two decades, which are now estimated at US$6.6 billion[3], as at end June 2022 and US$6.3 billion as at end of September 2022. The existence of these external debt payment arrears and penalties remain a major obstacle to the achievement of the NDS1 objectives and the attainment of Vision 2030, of a prosperous and empowered upper middle income economy status, as access to external financing to fund national projects and programmes, remains limited due to the arrears situation.

While there is no agreement on the size of Zimbabwe's public debt stock, there is no debate on the fact that the country is in debt distress. There is also no disagreement that Zimbabwe needs to urgently resolve its debt crisis in order for the country to relaunch its economic development agenda. However, what is not clear at the moment is the wherewithal and a clear program of debt resolution. Also, as explained in the rest of the Report, low progress has been made by the Government of Zimbabwe on the international reengagement front and yet reengagement is directly correlated to the resolution of the debt conundrum in the country.

What is worrying about the debt conundrum in Zimbabwe is that a) most of the debts that have been assumed by the Government have benefitted few people at the expense of the collective interest of the citizens; b) Government has been assuming State Enterprises and Parastatals debts without verifying how the debts were contracted and who was/is responsible for their accumulation; c) some of the assumptions were made without following due process hence the violation of the law by Government itself; and d) debt assumption has become one of the major drivers of public debt pile-up in Zimbabwe today. Moreover, the Government of Zimbabwe has continued to contract non-concessional loans from some emerging economies including Belarus, China and India among others. While these new lenders have given Zimbabwe new avenues to financing public expenditures, they are likely to complicate the resolution of debt distress in the country.

1 2022 Mid-Year Budget Review
2 Zimbabwe: 2022 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Zimbabwe
3 IMF Estimates the arrears to be US$12.9 billion

In particular, the Chinese contracts contain expansive nondisclosure and confidentiality clauses making it difficult for other creditors to reliably assess the true financial position of Zimbabwe. To put this into perspective, while the loans from the new creditors and lenders are attractive for the internationally isolated, resource-rich but cash strapped Zimbabwe, they may complicate the envisaged debt restructuring programme since some of them constitute the “hidden debt” in the form of resource-backed loans (RBLs). These hidden debts complicate efforts to mitigate debt crises. Lack of debt transparency makes it difficult for international financial institutions (IFIs) to accurately estimate countries’ debt burdens, provide recommendations to limit debt distress, and determine appropriate debt relief packages. In this context, Zimbabwe’s debt workouts are likely to be contentious and protracted, characterised by holdout problems and fears of free-rider problems.

This Report notes that for Zimbabwe to emerge from its unsustainable debt and distress situation, substantial political and economic reforms as well as support from the international community would be required. As such, the Government of Zimbabwe will need to implement prudent fiscal policy, stop quasi-fiscal activities that have led to continued debt pile-up, undertake structural and governance reforms to set growth on a sustainable path, and negotiate with creditors on a more comprehensive treatment of external debt and arrears as well as earnestly reengage the international community. Additionally, the Government of Zimbabwe will need to maintain and pursue the following key policies[4]:

- Prioritize concessional financing and limit non-concessional financing to economically viable projects;
- Stop new debt assumption for State Enterprises and Parastatals unless these entities have bankable and strategic turnaround plans;
- Adhere to Annual Borrowing Plan and limits;
- Carry out credit assessment of new borrowing prior to approval, in line with the Framework for Evaluation, Monitoring and Management of Guarantees and On-lent Loans;
- Implement the Medium-Term Debt Management Strategy (2022- 2025);
- Implement Economic growth enhancing policies and economic diversification; and
- Enhancing Parliamentary oversight role on public debt management.

4 These key issues emerged from the Annual Debt Conference hosted by AFRODAD in partnership ZIMCODD held 12-14 October 2022, Rainbow Hotel, Bulawayo

PART I: TOTAL DEBT STOCK AND LIABILITIES

1 Introduction

The 2022 Annual Debt Management Report for Zimbabwe is themed "Leveraging Public Finance and Debt Reforms for Sustainable Economic Growth and Inclusive Development". It is the fourth edition of an independent Annual Debt Management Report that is co-produced by AFRODAD and ZIMCODD. It comes as a sequel to the 2019, 2020, and 2021 debt reports that focused on the implications of public debt in the era of the COVID-19 global pandemic. The current edition takes a slightly different slant from its predecessors in that it gestures its audiences towards the post-COVID-19 era and draws their attention on debt restructuring as a critical factor of sustainable economic growth. It focuses on Zimbabwe's public debt and debt management operations during the period running from July 2021 to September 2022.

There is a general consensus amongst the key stakeholders in Zimbabwe and its creditors that the country's debt distress remains the major hurdle to economic recovery and that the resolution of the debt crisis will at least unlock the much-needed fresh capital injections that would accelerate inclusive and sustained economic growth in line with the goals of the country's National Development Strategy 1 (NDS1), 2021-2025. In order to shed light on the problems and prospects for debt resolution, this Report goes beyond the technicist approaches and adopts an applied political economy analysis (APEA) of the debt conundrum in Zimbabwe. It offers up-to-date information and critical analysis of the debt landscape based on the fundaments of debt justice. In this regard, the contents of this Report are not only important for policy makers, creditors, and lenders but also for all those that are involved in the ecologies of public financial management especially the institutions of accountability such as civil society, media, think-tanks, Parliament, and Zimbabwe Chapter 9 Commissions among others.

1.1 Contextual Background

Zimbabwe is currently trapped in an economic crisis characterised by a weak currency (multiple exchange rates), low levels of industrialisation, high informal sector (estimated to be employing 76% of labour force); low foreign exchange inflows, price distortions, significant revenue shortfalls, inefficient State Enterprises and Parastatals (SEPs) and Local Authorities, official corruption, extremely high unemployment levels, and over 40 percent of Zimbabweans currently live in extreme poverty among other social and economic-ills. This grimy picture has been worsened by external shocks including the COVID-19 pandemic, climate change induced disasters such as droughts and cyclones, and more recently by Russia-Ukraine War which has drastically pushed upward the prices of food, fuel, and fertilisers. These shocks have affected the growth potential of the country which continues to face a difficult trade-off between scaling up public investment to meet its ambitious development objectives and containing debt vulnerabilities.

In its Staff Report for the 2019 Article IV Consultations, the International Monetary Fund (IMF) categorised Zimbabwe as one of the debt distressed countries along with other African countries such as Chad, Congo Republic, Mozambique, Somalia, South Sudan, Sudan, and Zambia. Zimbabwe's debt arrears have been preventing the country from accessing fresh financing from global financial institutions and traditional bilateral and commercial creditors. At the same time, local banks have been struggling to get corresponding banks internationally because of the country's high sovereign risk among the other factors. Except for Standard Chartered and FBC Bank, Zimbabwean banks no longer have direct corresponding banking relationships with the US[5].

While most of the economically vulnerable and poor countries across Africa and the globe have benefited from the IMF and the World Bank financing windows as part of the global containment of the COVID-19 pathogens in the last three years, Zimbabwe missed out largely because of its record of defaulting in debt and arrears servicing and partly because of its troubled international economic relations. Zimbabwe missed out on Debt Service Suspension Initiative (DSSI) and the G20's Common Framework debt treatment. Unless the Government of Zimbabwe deals with its debt crisis as well as get the country readmitted into the comity of global nations including the Commonwealth, Zimbabwe will remain embroiled in a permanent state of economic stasis. It is against this backdrop that the 2022 Annual Debt Management Report on Zimbabwe makes a clarion call for the authorities to fast track the implementation of the reengagement and debt resolution strategies that would see the country emerge out of the current debt conundrum. Therefore, this Report makes contribution by providing significant information about debt resolution and reengagement strategy.

1.2 Objectives of the Study

The main objective of this study is to assess the debt landscape of the period between July 2021 and October 2022. The study is guided by the following sub-objectives:

- To provide a brief debt profile for Zimbabwe covering the period between July 2021 and October 2022;
- To assess the performance of on-lending facilities that are availed by the Government of Zimbabwe especially to the agriculture sector;

5 Zimbabwe's banking system is linked to international banks which allows for the transfer of US dollar payments. Following the tightening of reporting standards in the US to curtail money laundering and terrorist financing, most international banks severed their relationships with Zimbabwean banks as part of their de-risking strategy,, making foreign payments difficult. Except for Standard Chartered and FBC Bank, Zimbabwean banks nolonger have direct corresponding banking relationships with the US (see International Trade Administration (2 August 2022).

- To explore the debt portfolios for State Enterprises and Parastatals (SEPs) as well as that of Local Authorities in order to establish the risks that are associated with these portfolios;

- To review the use of the 2021 IMF Special Drawing Rights (SDRs) and offer suggestions for them to contribute towards debt resolution agenda;

- To examine the prospects for debt resolution and reengagement strategies of the Government of Zimbabwe, and

- To proffer some recommendations on debt resolution and reengagement approaches.

1.3 Methodology

To achieve the above objectives, the study deployed a three-pronged data collection approach as follows:

i) Documentary evidence: documents such as the 2019, 2020 and 2021 Annual Debt Management Reports for Zimbabwe that were co-produced by AFRODAD and ZIMCODD were reviewed in order to determine the extent to which the previous recommendations have been considered by the policy makers in shaping the country's debt resolution and re-engagement strategies. Also, official documents including the 2021 Public Debt Management Bulletin, 2022 Budgetary Statements, Mid-Term Budget Review Statement 2022, Arrears Clearance, Debt Relief and Debt Restructuring Strategy document among others were reviewed to determine the quantum and scale of the debt problem in Zimbabwe[6].

ii) Primary Data Collection: in collecting primary data for this report, key informant interviews with purposively selected stakeholders and conversation partners were carried out. The informants were drawn from the Ministry of Finance & Economic Development; Ministry of Local Government, Public Works and National Housing; Parliament of Zimbabwe; Reserve Bank of Zimbabwe (RBZ); Auditor General's Office; selected State Enterprises and Parastatals (SEPs); selected Local Authorities; Political Parties represented in Parliament; three (3) key Western Embassies; Civil Society; and Academia. Open-ended questions were developed to solicit for information from the selected informants. To respect the anonymity of the informants, the interviews were held off record.

iii) Discourse Analysis: media reports, speeches made in parliament, political rallies, and press briefings including the Weekly Cabinet Briefings were also reviewed in order to extract the attitudes of the various key actors towards the debt crisis in Zimbabwe. This was complemented by data from secondary sources including but not limited to research reports and relevant literature.

NB. The Report was validated by the 4th Zimbabwe Annual Multi-stakeholder Debt Conference held on 12-14 October 2022, Bulawayo Rainbow Hotel themed "Leveraging Public Finance and Debt Reforms for Sustainable Economic Growth and Inclusive Development in Zimbabwe". The conferences included representatives from the Parliament of Zimbabwe, Ministry of Finance and Economic Development, Reserve Bank of Zimbabwe (RBZ), academics, CSOs and the media among others.

6 2021 Annual Public Debt Management Bulletin, 2021. www.zimtreaty.gov.zw
2022 Budgetary Statements. www.zimtreaty.gov.zw
Mid-Term Budget Review Statement 2022. www.zimtreaty.gov.zw
Arrears Clearance, Debt Relief and Debt Restructuring Strategy. www.zimtreaty.gov.zw

1.4 Structure and Approach of the Report

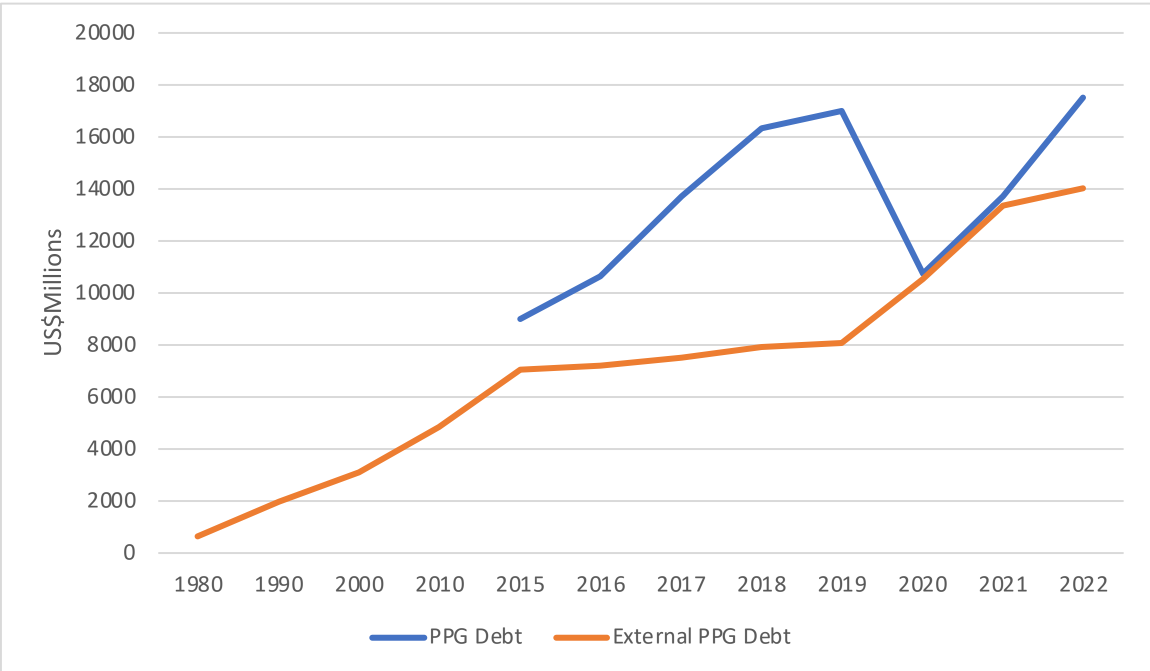
The Report privileges the issues of debt management in Zimbabwe through detailed analysis of profiles of both domestic and external debts. By so doing, the Report seeks to contribute to the ongoing debates on debt restructuring and makes recommendations for continued civil society advocacy for debt restructuring premised on respect of human rights. The Report consists of three parts. Part I: provides the overall picture about the quantum of the Public and Publicly Guaranteed (PPG) debt in Zimbabwe. Part II: discusses the institutional drivers of public debt in Zimbabwe. The sections in this part of the Report focus on the high appetite for debt assumption and debt addiction by loss making State Enterprises and Parastatals (SEPs) and Local Authorities as well as on-lending to small holder farmers. The Report concludes with Part III which focuses on the ways and wherewithal for resolving the debt crises in Zimbabwe. Particular attention is given to the potential role of Special Drawing Rights (SDRs), Debt Resolution Strategy, and Re-engagement strategy. The Report ends with a battery of recommendations that are critical if Zimbabwe is to urgently contain and resolve its public debt.

SECTION 2: PUBLIC AND PUBLICLY GUARANTEED DEBT

2.1 Overview

In its 2022 Article IV Consultations, the IMF projected the country's public sector debt to be reach US$17.5 billion in 2022. The Government of Zimbabwe in November 2022 indicated that PPG debt was around US$17.5 billion of which total external public debt stood at US$14.043 billion (up from US$13.722 billion as at end November 2021). PPG domestic debt stood at ZWL$2.236 trillion in November 2022 (up from ZWL$ 46.7 billion in November 2021).

Figure 1: Public Debt Evolution 1980-2022



Source: Ministry of Finance and Economic Development

The total public debt for the country has been rising sharply in recent years as shown in Figure 1. Other factors such as exchange and inflation have been responsible for the fluctuating trend of public debt for instance the sharp decline in debt between 2019 and 2022 was caused by the introduction of domestic currency which then implies revaluation of domestic debt at the exchange rate determined by the central bank. Between 2021 and 2022 public debt increased by 27.5% driven mainly by domestic borrowing, blocked funds, compensation for farms and accumulation of external debt arrears.

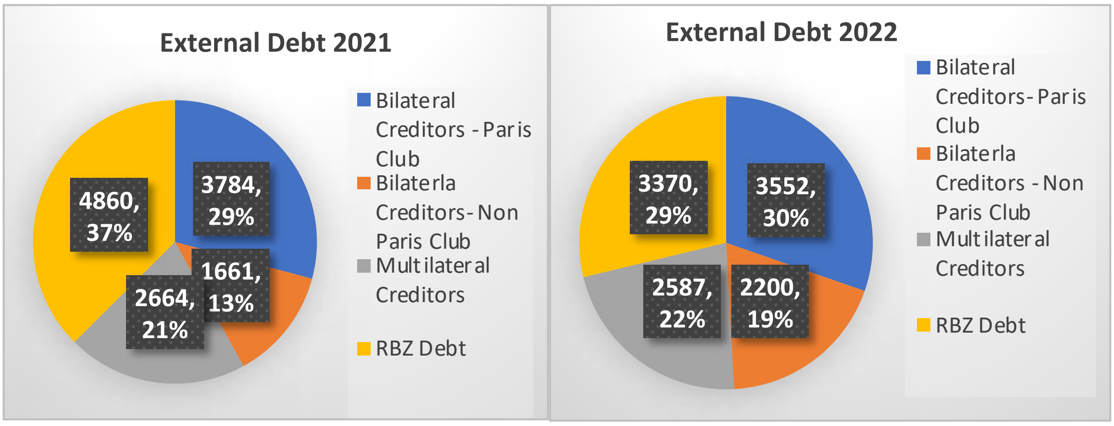
While the Public Debt Management Office includes guarantees and on-lending facilities in the debt figures; other debt of parastatals not guaranteed by central government are not included as well as the money owed by central government to creditors. within the Zimbabwean context, it is important for debt of parastatals to be made public since there have been several debt assumptions of these parastatals. Lack of clarity on debt figures has become a perennial problem which Government of Zimbabwe will need to address in the interest of debt transparency as stipulated by the Public Debt Management Act (PDMA) of 2015 and Public Debt Regulations of 2019 read together with the Public Entities Corporate Governance Act of 2018.

Notably, the omission of SEPs debt from the public sector accounts has an effect of obfuscating the true position of sovereign debt of Zimbabwe. Additionally, the failure to fully integrate contingent liabilities into the public sector accounts generally results in some debts being hidden. The problem of “hidden debt” can only be verified through an independent public debt audit; unfortunately, no independent debt audit has ever been carried out in Zimbabwe. And yet, audit is a crucial tool in debt management and debt restructuring. Apparently, the lack of accurate debt information caused a diplomatic discomfort China complained that the Minister of Finance and Economic Development had grossly under-stated the size of Chinese loans and aid.

2.2 External Public Debt Stock

As stated above, official figures indicate that Zimbabwe’s total external public debt stock as at end September 2022 is US$14.043 billion. This figure represents 6.5 percent increase from 2021 figure. The increase is partly attributed to increase in blocked funds, fluctuations in the exchange rates and accumulation of arrears coupled with disbursements of loans for infrastructure projects such as Hwange Thermal Power Station and upgrading of Robert Gabriel Mugabe International Airport. Figure 2.1 below presents the decomposition of external debt stock in three broad categories of bilateral, multilateral and RBZ debts.

Figure 2.1: Comparison of External Debt by Creditor 2021- 2022



Source: Ministry of Finance and Economic Development 2023 National Budget

As shown in Figure 2.1 the RBZ is dominating the external debt mainly due to blocked funds and raising of bonds for financing government deficit. The blocked funds amount to US$3.5 billion assumed by the Government of Zimbabwe after the RBZ could not remit the funds due to shortage of foreign currency (for more details on blocked funds see Subsection 4.2 of this report). Table 2.1 below provides a summary of the external debt disaggregated in terms of guaranteed and non-guaranteed loans. There has been a small change in Paris Club debt due to token payments which the government regularly make while the non-Paris club creditors have increased significantly since they are disbursing loans for infrastructure development. The multilateral creditors only a few such as AfDB, Afreximbank, Badea have active portfolios hence the slight increase in the proportion of their debt.

Table 2.2: External Debt end September 2022 (US$ million)

	Non-Guaranteed	Guaranteed				Grand Total
	DOD	Principal Arrears	Interest Arrears	Penalties	Total Arrears	Grand Total
Total External Debt (Incl. blocked Funds	7733	2700	1556	2054	6310	14043
External Debt	4670	2700	1556	2054	6310	10980
Bilateral Creditors	1807	1591	504	1852	3946	5753
Paris Club	116	1254	430	1753	3437	3552
Non-Paris Club	1691	337	74	98	509	2200
Multilateral Creditors	223	1109	1053	202	2364	2587
World Bank	142	685	649	-	1333	1475
African Development Bank	27	271	373	-	644	671
European Investment Bank	11	135	24	202	361	372
Others	44	19	7	-	26	69
RBZ Debt	3370	-	-	-	-	3370
Blocked Funds	2332	-	-	-	-	3370
Cash Payments	32	-	-	-	-	32
Treasury Bonds	1049	-	-	-	-	1049
Other Creditors	1251		-	-	-	1251

Source: Ministry of Finance and Economic Development

As will be noted throughout this Report, public guarantees and debt assumptions have become the new drivers of debt pile-up in addition to the RBZ Forex Market backlog and the quasi-fiscal activities Zimbabwe. Table 2.2 above shows large amounts of arrears on the guaranteed columns. However, this study did not establish whether or not contingent liabilities are included in fiscal policy analyses by the Ministry of Finance and Economic Development. Informants from the Ministry of Finance and Economic Development as well as those from Parliament that were consulted for this Report were not sure whether or not the contingent liabilities were part of the Ministry's economic analysis (a more nuanced study on contingent liabilities will be important as a follow up to this Report). As will be demonstrated in the sections that deal with State Enterprises and Parastatals, Local Authorities, and On-Lending to smallholder farmers, Government Guarantees have become key drivers of public debt accumulation in Zimbabwe.

Besides debt assumption, Zimbabwe's external debt has continued to accumulate due to unavailability of non-concessional loans from the non-Paris Club. Although Zimbabwe has not been accessing loans from the traditional lenders and creditors namely the IMF and the World Bank as well as the Paris Club due to its failure to service its debt obligations, the country has continued to receive loans from new lenders and creditors especially Belarus, India and China as well as some Gulf States such as United Arab Emirates (UAE), Saudi Arabia and Turkey. As at end Sep 2022, Zimbabwe owes new creditors and lenders (non-Paris Club creditors) approximately US$2.2 billion (see table 2.1 above). However, some of these loans from emerging lenders are largely resource-backed loans (RBLs) that are collateralised against future commodity exports. For example, the China Export-Import Bank and the China Development Bank (CDC) have signed some RBLs also referred as resource- for -infrastructure (RFI) deals with the Government of Zimbabwe over the past two decades[7]. An analysis of this class of debt contracts shows that it often includes broader nondisclosure and confidential clauses than is typical. Such clauses obscure the true financial position of the sovereign borrower and create significant obstacles in debt restructuring negotiations involving multiple creditors. Additionally, there is danger that, if not checked, this model (RBLs) may lead to losing control of important national assets to foreigners and subsequent erosion of natural resource sovereignty.

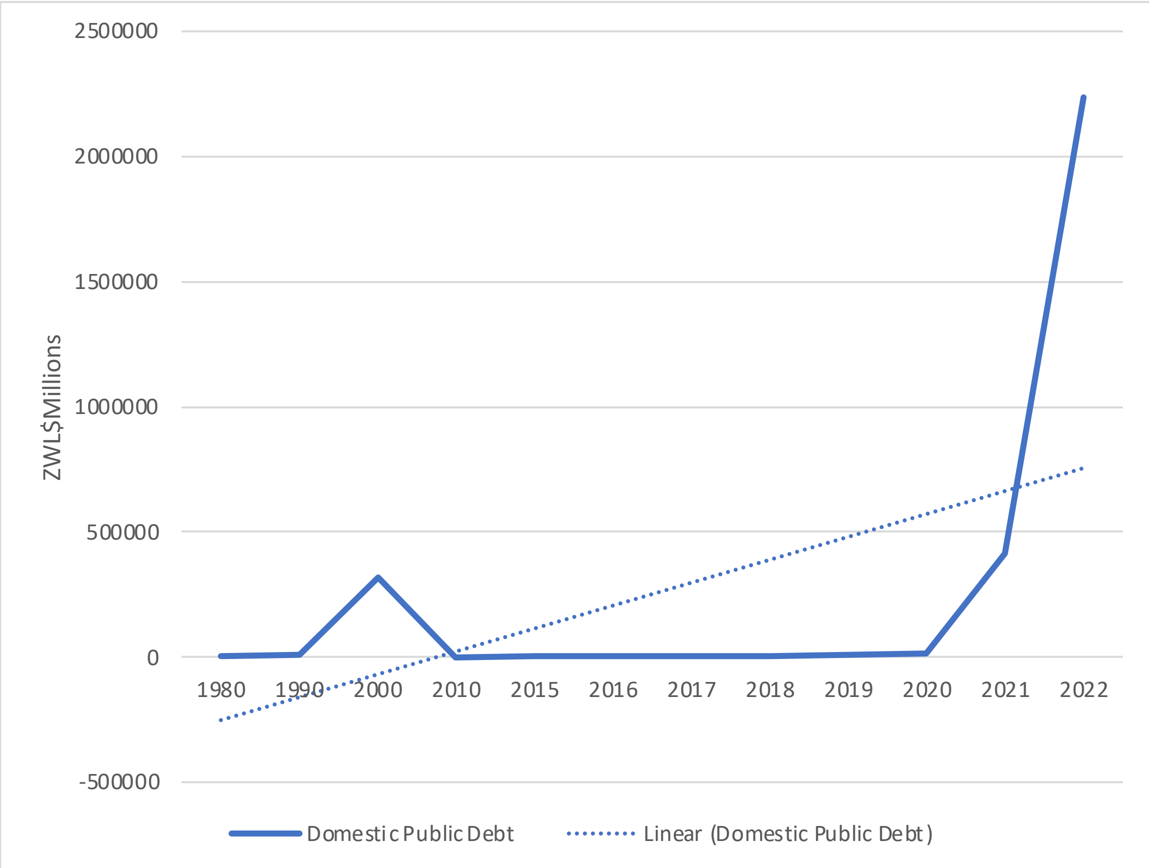
7 ZIMCODD (2021). The Bane of Resource-Backed Loans: Implications for Debt Sustainability. Opinion Paper., ZIMCODD, Harare

Importantly for this Report, the continued opaque loan contraction from China and Belarus among the other new creditors may in the immediate term worsens the debt sustainability indicators as well as complicate the Government of Zimbabwe's debt restructuring negotiations with traditional creditors.

2.3 Domestic Public Debt Stock

While a lot has been said and written about the external debt stock in Zimbabwe, less attention has been paid to the equally pernicious domestic borrowing which has had the effect of crowding out private sector activity in the country. Zimbabwe's domestic debt largely consists of short-term Treasury bills with a maturity of between 90 days and 2 years and long-term Treasury bonds with a maturity period of more than 2 years.

Figure 2.3: Domestic Debt trend:1980-2022

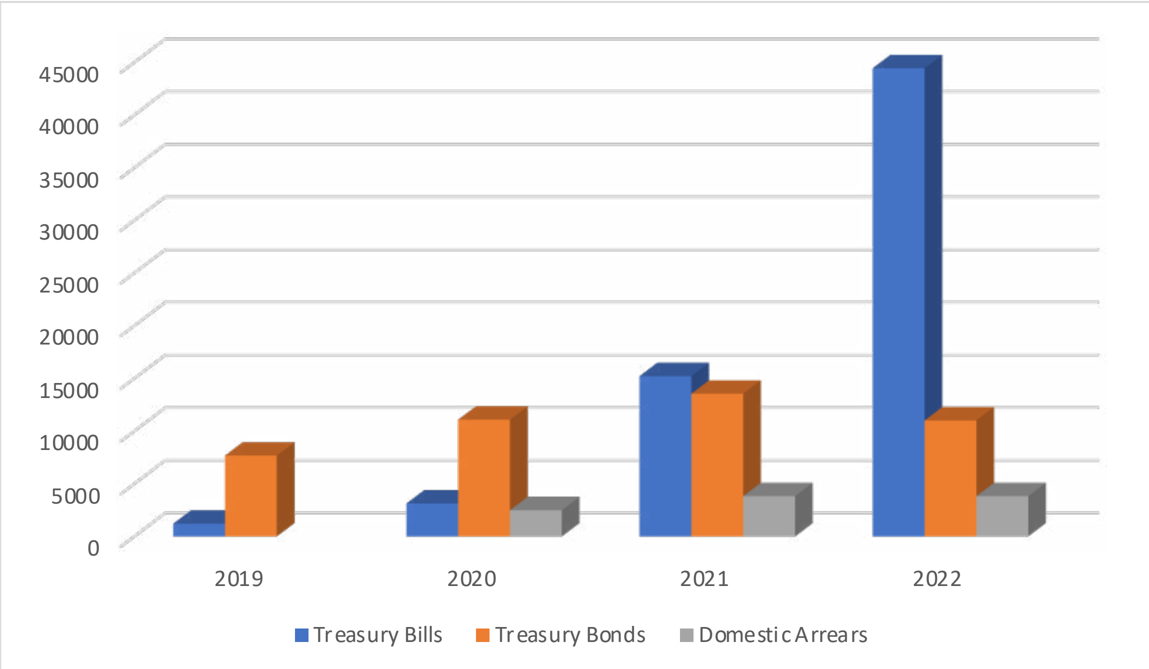


Source: Ministry of Finance and Economic Development

The Figure above shows the domestic debt trend which has been growing at an astronomical rate in recent years. Between December 2022 and September 2022 domestic public debt grew by 441% and this has been driven by the need to finance government deficit in a country that is experiencing hyperinflation. Evidently, the last 3 years have experienced a dramatic rise in domestic debt caused by the US$3.5 billion of Compensation to Former Farm Owners. For the avoidance of any doubt, in July 2020, the Government of Zimbabwe and former farm owners reached an agreement over a global compensation for land improvements of US$3.5 billion. The agreement envisaged a 50 percent down payment within 12 months and full payment over a period of 48 months thereafter. Subsequently, the Government of Zimbabwe deferred the down payment for one year, until end-July 2022. The Government has however paid US$0.25 billion towards the compensation by providing shares in a mining company to displaced farmers. The remainder of the compensation of about US$3.25 billion-remains unfunded. As will be noted in the subsequent sections of this Report, domestic debt is set to continue to rise astronomically due to the assumption of State Enterprises and Parastatals and Local Authorities debts as well as a result of high loan delinquency in the agricultural sector (NB. SEPs and Local Authorities debt consists of both domestic and external debts components). The significant rise in domestic debt which now constitutes a large share of the total public debt, calls for the Government to formulate and implement prudent domestic debt management strategies to mitigate its effects on the ailing economy.

Figure 2.4 below shows that treasury bills have been increasing at a fast rate due to the low appetite for long term debt instruments as the market is not sure about government policy in the future. The short-term debt instruments pile up more pressure for government since they mature early, and they need to be paid.

Figure 2.4: Comparison of Treasury Bill, Treasury Bonds and Domestic Arrears 2019-2022



Source: Ministry of Finance and Economic Development

SECTION 3: DEBT LANDSCAPE-BRIGHTER-SIDE AND DARKER-SIDE

3.1 Overview

This section provides some highlights of the positive developments that have been recorded since the release of the 2021 Annual Debt Management Report. It also outlines some of the key challenges that have continued to stand on the way of debt restructuring in Zimbabwe. Although the issues raised in this section have been prevalent over the past 12 months, the truth of the matter is that most of them cannot be divorced from their socio-historical context.

3.2 The Brighter side of Public Debt in Zimbabwe

It is worth noting from the outset that some modest progress has been made by the Government of Zimbabwe in the last few months. This includes the following:

i. As mentioned earlier, in the period between January 2021 and May 2022, the Treasury made some external debt service payments amounting to US$59.30 million, comprising of US$49.7 million for the active portfolio and US$9.60 million as token payments to the Multilateral Development Banks (MDBs) and Paris Club creditors[8]. Table 3.1 below provides a more detailed picture of external debt service in Zimbabwe from January 2021 to May 2022. Arguably, the servicing of arrears even if it is token payments is calculated to resonate with the creditors as part of confidence and trust building. The Government authorities believe that this gesture will send positive vibes to the rest of the world about Zimbabwe's willingness to service its arrears and presumably, this will change the perceptions about how the country is viewed globally. However, the downside of this move is that the payments have been made at the expense of social service expenditures at a time when the poor and the economically vulnerable sectors of the population need some social cushioning in the face of the COVID-19 economic headwinds and the recent rise in prices of food, fuel, and fertilisers that were occasioned by the Russo-Ukraine War.

8 Public Debt Management Office (2022). Zimbabwe 2021 Annual Debt Bulletin.

Table 3.1: External Debt Service for the Period January 2021 to May 2022 (US$ millions)

	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
Active Portfolio					
China Exim Bank	9.00	3.00	3.00	3.00	18.00
Sinosure	1.00	3.00	3,00	3.37	10.37
India Exim Bank	1.33	1.33	-	1.30	3.96
OFID	2.08	0.94	-	1.61	4.63
BADEA	3.01	8.68	-	0.15	11.83
IFAD	0.21	-	0.20	-	0.41
Kuwait	-	-	0.24	0.26	0.50
	16.62	16.95	6.45	9.68	49.70
Token Payments					
World Bank	1.00	1.00	1.00	1.00	4.00
African Dev Bank	0.50	0.50	0.50	0.50	2.00
European Investment Bank	0.10	0.10	0.10	0.10	0.40
Paris Club Creditors	-	-	1.60	1.60	3.20
Total	18.22	18.55	9.75	12.83	59.30

Source: Zimbabwe Public Debt Management Office, 2022

ii. For debt justice campaigners and civil society in general, the US$59.30 million that has been paid to creditors could have been directed towards the provision of basic services rather than to the rich creditors. On the other side of the ledger, it would be noted that the servicing of the Chinese loans is up to date with US$49.7 million having been paid towards those loans while only a paltry US$9.60 million was made as token payment to the Western creditors. The challenge that comes with this skewed approach to debt servicing is that the obtaining geo-economic frictions between the emergent creditors like China on one hand, and the Euro-Western creditors on the other, may come into play. The Euro-Western creditors may interpret Zimbabwe's debt servicing approach as favouring Beijing and other global South creditors at the expense of the traditional lenders and creditors. Subsequently, these creditors may toughen their stance towards the much-vaunted debt restructuring negotiations. Thus, the point being made here is that sovereign debt in international economic relations is not just a finance issue, it is also a geo-economic instrument for global economic actors which requires the Government of Zimbabwe to exercise sensitivity in its treatment of all its creditors if it is to succeed in its debt restructuring agenda.

iii. The Government of Zimbabwe has also made some efforts towards improving the availability of debt information to the members of the public through the publication of the Annual Public Debt Bulletin. In particular, the 2021 Public Debt Bulletin that was produced by the Zimbabwe Public Debt Management Office (ZPDMO) shows some improvements compared to its earlier versions. The current report provides some details on a variety of issues including: a) public guaranteed debt by creditor and by country; b) Treasury Bills Auctions in 2021; c) RBZ and private sector blocked funds for 2021; and d) progress report on Special Drawing Rights (SDRs). However, the devil remains in the detail. While there is improvement in the coverage of issues contained in the Bulletin, there is still insufficient granularity of transactions. The Bulletin still lacks information on the cost and risk indicators of the country's debt portfolio as well as analysis of loan guarantees which leaves civil society, debt observers, and other stakeholders largely speculating about the size, content, and terms of many of the loans contracted by the Government of Zimbabwe[9].

9 AFRODAD/ZIMCODD, Annual Debt Management Report-2020

iv. Importantly, the ZPDMO has developed and adopted a Borrowing Plan and Issuance Calendar for 2022. The Plan also contains the Borrowing Strategy. This represents a positive move as long as the authorities are going to respect their own commitments to implement these policies. Historically, the Government of Zimbabwe's approach to borrowing has been on an ad hoc basis resulting in less beneficial deals and debt crisis that the country is currently experiencing. While the said policies drafted by the ZPDMO are welcome, there are doubts about their implementation.

v. Perhaps the most notable development so far in the reporting period is the appointment of the President of the African Development Bank (AfDB), Dr Akinwumi Adesina as the champion of Zimbabwe debt resolution agenda. This is important as it demonstrates the country's willingness to kick start a more formal and internationally recognised process of resolving the pernicious debt problem in the country. Given his continental and international profile, Adesina is probably the ideal credible champion to steer Zimbabwe to navigate its way out of the current debt conundrum. To be fair, Adesina's appointment has helped to reboot the debate on debt resolution in Zimbabwe and may actual reset the button on international re-engagement. This formal approach should be contrasted with the previous informal attempts where the Government of Zimbabwe hired an American company-Ballard Partners headed by Washington lobbyist Brian Ballard to help with mending Zimbabwe's relations with the US. Despite being paid a whopping US$500 000 a year, the initiative did not achieve its desired goals[10].

vi. The Government of Zimbabwe has also proposed to hold a High-Level Debt Forum with its creditors and other stakeholders aimed at building consensus on the processes and procedures of resolving the country's external debt overhang and arrears clearance[11]. It should be noted that there are many other variables including political, economic, and governance reforms that will require the attention of the Government of Zimbabwe before the goal of achieving debt sustainability is achieved as explained in the subsequent sections of this Report.

3.3 The Darker-side of Public Debt in Zimbabwe

Notwithstanding the foregoing strides that have been made by the Government authorities towards debt resolution, the debt landscape in the country remains saddled with a number of pernicious challenges. Some of these challenges and pitfalls were raised in the previous editions of the Annual Debt Management Reports. Some of them are re-echoed here simply because not much has been done by the Government of Zimbabwe to address them. They are also rehashed here for the purposes of drawing the attention of the creditors, government, and key civil society stakeholders to refocus their attention to them. These include the following:

i. ***Lack of implementation of debt policies:*** Over the past two decades the Government of Zimbabwe has crafted and adopted a slew of debt restructuring strategies but most of them have suffered 'still birth'. These include, the Zimbabwe Accelerated Arrears Clearance, Debt and Development Strategy (ZAADS), 2010; the Zimbabwe Accelerated Re-engagement Programme, 2011; the Lima Process, 2015; and the Transitional Stabilisation Program (debt provisions), 2018-2020 among others. More recently, the Debt Management Strategy, 2017-2021, expired with the bulk of it remaining unimplemented.

10 Zimbabwean, (29 September 2019). Zimbabwe: Government Hires Another PR Firm to Face-Lift Battered Image. www. thezimbabwean.co.zw

11 Mid-Term Budget Review Statement (28 July 2022).

Apparently, the strategy contained some of the key elements expected in any sound debt management strategy including debt management objectives, debt portfolio review, description of future environment, the alternative debt management strategies under different scenarios, as well as the recommended strategy and its rationale. Regrettably, just like many other debt strategies before it, the 2017-2021 strategy reached its expiry date without implementation and subsequently without its evaluation. The authorities need to demonstrate concrete commitment to earnestly implement their policies, so that stakeholders and creditors will have confidence in government policies.

ii. ***Lack of Debt Transparency and Accountability:*** Transparency and accountability in public finance management form an important pillar for successful implementation of the country's National Development Strategy 1 (NDS1) (2021-2025). The NDS1 places an emphasis on the need to strengthen fiscal transparency by ensuring compliance with constitutional and legal requirements in respect of the public finance management (including debt management). However, the Government of Zimbabwe has been borrowing yet only a few loans have been presented to Parliament for ratification as required by the law. In the same vein, the executive has been engaging on various public private partnerships (PPP) for projects with very limited parliamentary oversight of such projects. To be sure, PPP financed projects have implications on debt if proper cost-benefit analysis is not done. The limited ratification of loans and guarantees by Parliament reduce the effectiveness of transparency and accountability in the country. This lack of debt transparency has a negative loop back to creditors and the stakeholders in general. The resultant trust deficits are likely to imperil any future debt resolution strategy in Zimbabwe. Conversely, involvement of parliament and civil society organisations (CSOs) as well as the other institutions of accountability in all stages of loan contraction may help the Government of Zimbabwe to restore trust and confidence in state processes and programmes.

iii. ***Resource-Backed Loans/Collateralisation:*** As mentioned earlier, there are claims that the Government of Zimbabwe has been borrowing against the national resources and minerals. In this kind of arrangement, the repayment of loans is guaranteed by a specific income stream or by particular assets such as platinum, diamond, coal, nickel, gold, chrome, tobacco and cotton. The resource-backed loans (RBLs) deals are such that, in the event that the debtor is unable to meet its debt servicing requirements, the resource will fall to the ownership and management of the lender. Apart from running a risk of mortgaging the national assets, the Government of Zimbabwe is complicating the debt resolution negotiations by resorting to opaque RBL deals. To put it into perspective, unlike China, the major creditors of Zimbabwe, both the bilateral and multilateral creditors do not collateralise their loans neither against specific revenue streams or specific assets[12]. Instead, they lend to country governments or public entities based on the ability of the overall public finance system to repay. On the other hand, collateralised lending ring fences specific revenue streams and puts the RBL creditors ahead of all other creditors in case of repayment problems. The presence of RBLs in Zimbabwe is therefore likely to make debt restructuring negotiations complex, non-cooperative, and difficulty to achieve the desired results. Table 3.2 below provides examples of some of the RBLs that have been contracted by the Government of Zimbabwe. Although the figures in the table below may be 10 years or so older, the payments of these loans are being made today and many new RBLs may have been contracted over the past 5 years. But because most of them are characterised by nondisclosure clauses in the contracts, they are not readily available for assessment. It is thus imperative for Government of Zimbabwe to look beyond making more loans; it should prioritise domestic resource mobilisation in order to address the current debt challenges.

12 USAID (2022). Debt Transparency Monitor

Table 3.2: Resource-Backed Loans in Zimbabwe

Year	Project	Loan	Terms
2007	Construction of three Thermal Plants and chrome mine	US$1.3 billion	Pay the loan through chrome exports
2009	Development of platinum mine	US$5 billion	50% equity in the US$40 billion platinum concession for a US$5 billion concession credit line
2011	Construction of the National Defence College	$98 million	Pay loan the with diamonds from Marange
2022	Trafigura	$225.6 million	Pay the debt with nickel and gold

Source: Konijn, 2014[13]

iv. ***Poor Oversight of State Enterprises and Parastatals and Local Authorities:*** The Office of the Auditor General (AG) has over the years raised concern over poor financial oversight in the spending of Parastatals and Local Authorities most of which have been involved in financial scandals that affect their operations (see sections 5 and 6 of this Report for more details on parastatals and local authorities). The poor oversight of these entities has resulted in poor service delivery to citizens and accumulation of debts that end up being assumed by the Government. For example, there has been a proposal to assume the debts of State Enterprises and Parastatals (SEPs) such as Air Zimbabwe, Civil Aviation Authority of Zimbabwe (CAAZ), National Railways of Zimbabwe (NRZ), and the Zimbabwe Iron and Steel Company (ZISCO). More recently, the Ministry of Local Government, Housing and Social Amenities has proposed that the Government of Zimbabwe should assume the controversial debt owed by the City of Harare to Pomona-GeoGenix BV Waste to Energy project. This raises a lot of questions given the governance issues that characterise the contracts in local authorities where top government officials have been implicated. The AG's reports have shown that both SEPs and local authorities have not been prudential in their deployment of public resources and the Government of Zimbabwe has not done enough to address these drivers of public debt.

v ***Debt Restructuring Mechanism:*** Zimbabwe remains operating in the margins of global finance due to uncleared debt arrears to global financial institutions. These institutions have pointed out lags in the implementation of political and economic reforms as a major hindrance to international reengagement which is critical in Zimbabwe's debt resolution strategy. While the Government of Zimbabwe has expressed its commitment to re-engagement with the international community, it has not fully translated that commitment into practical steps through reforms. Besides making token payments to its creditors, very little progress has been made in the reform front. Nevertheless, the main mistake that continues to be made by the Government of Zimbabwe in its debt restructuring strategy is to believe that a technicist approach of token payments will on its own, without dealing with the US-sponsored Zimbabwe Democracy and Economic Recovery Amendment Act (ZIDERA), provide the desired outcomes. While technical issues are an integral part of the whole, it is crucial that Harare takes a deeper look into structural and systemic issues including governance, civil liberties, political participation, and corruption as the defining contours of re-engagement and debt restructuring approach. Quite clearly, the lenders and creditors seek improvements in domestic political conditions and economic policies to initiate reengagement with Zimbabwe.[14] Thus, without a deeper look into these issues, Zimbabwe will continue riding on a treadmill gathering sweat but without making any significant progress.

13 Koniji (2014), Chinese Resource for Infrastructure Swaps: An Escape from the Resource Curse.

14 Also see IMF Staff Report for the 2022 Article IV Consultations, Zimbabwe, March 2, 2022.

PART II: GOVERNMENT GUARANTEES & DEBT ASSUMPTION ADDICTION

Section 4: On-lending Loans, Government Guarantees, and Contingent Liabilities

4.1 Overview

This section provides some highlights on debt assumptions of On-lent loans, public guaranteed debts, and the debts that are generated by RBZ quasi-fiscal operations among others. Broadly understood, On-lending arrangements refer to arrangements whereby a government contracts a loan and then lends the funds to a public entity within the borrowing country. It is a means by which the government can support strategically important projects that contribute to national development. In Zimbabwe, the Government usually enters an On-lending arrangement with primary loan proceeds being earmarked to fund capital expenditures and agriculture. On the other hand, a government guarantee is an undertaking by a government to honour the obligations of a beneficiary (a third party) in circumstance where the beneficiary fails to pay its obligations and defaults on the loan. As such, a guaranteed loan is a contingent liability of the government. This means that a liability to the government is realised in the event that a beneficiary is unable to reach the payment obligations of the loan. While these funds are not direct liability of the government and are not reflected in the accounts of the central government, they represent a potential risk to the government's balance sheet if the debt obligations are not honoured by the beneficiary. It is in this sense that a government guarantee is considered a contingent liability to the government.

4.2 On-Lending and Contingent Liabilities

In 2021, the Government of Zimbabwe approved and issued guarantees to several public entities including private sector companies. In particular, between January and December 2021, the Treasury issued guarantees to domestic creditors amounting to ZWL$35.66 billion and US$64.75 million, of which more than 90 percent was towards the agriculture sector. Table 4.1 provides a snapshot of some of the recent state guarantees to domestic creditors in the agriculture sector.

Table 4.1: Guarantees to Domestic Creditors (Agriculture Sector)

Borrower	Lender	(US$m)	(ZWL$m)	Purpose	Date of Signature	Expiry Date
Mbano Manor Hotels	CBZ	-	10	Working Capital	1-Feb-21	23-Jun-23
Agribank& AMA	FBC & Stewart Bank	-	100	Financing of horticultural and oil seed production farmers for 2020/21 agricultural season	8-Mar-21	31-Dec-21
Luxaflor	CBZ	0.75	-	Finance procurement of raw material, intermediate goods &accessories for the production & export of roses &refinancing exiting facility	11-Mar-21	11-Mar-24
AMA	FBC & Steward Bank	-	20 000	Grain procurement	8-Jun-21	8-Jun-22
IDBZ	Various Pension Funds	-	200	Second tranche for financing the development of a low-density residential area in Mt Pleasant	18-Aug-21	17-Aug-22
AFC Holdings	Various investors including commercial banks	-	15000	Financing of 2021/22 summer agriculture season	28-Oct-21	28-Oct-22
CBZ Agro Yield	CBZ	64.00	-	Financing of the 2021 winter wheat agric season	28-Oct-21	28-Oct-22
Silo Food Industries	ZB Bank	-	350	Financing of the 2021 winter wheat agric season	29-Oct-21	28-Oct-22
Total		64.75	35,660			

Source: Zimbabwe Public Debt Management Office, 2021

In the case of On-lending, the Government through the Ministry of Finance and Economic Development receives the loan or raises finance via a security issuance and then lends these funds to the borrowers e.g., those in the agricultural sector. Although providing On-lent loans to an important sector like agriculture is important and not unique to Zimbabwe, the problem is that there is no clear system for these loans despite having provision for issuance of guarantees in the Framework for Evaluating, Monitoring and Managing Guaranteed and On-lent Loans as well as in the Public Debt Management Act (PDMA). As the 2020 Annual Debt Management Report observed, this exposes the country to risk of accumulating unsustainable levels of contingent liabilities emanating from On-lending and government guarantees.

The biggest problem with On-lent loans and guarantees issued for agricultural support is that the recovery rate is very low, except for the 2020 winter wheat cropping season where the recovery rate was 74 percent. There are also concerns across a wide spectrum of stakeholders that the on-lending loan facilities in the agriculture sector have been skewed towards the politically exposed persons (PEPs) and beneficiaries of land reform program of the early 2000s who also benefited in various government loan facilities including the RBZ led mechanisation scheme. The piled-up debt from these loans have been periodically assumed by Government using the provisions of the Public Debt Management Act (Chapter 22:21) thereby further complicating the chances of debt sustainability in the country. The on-lending loan facilities in the agriculture sector will need to be rethought and a more sustainable agriculture financing model will need to be couched out not only as part of the debt management strategy but also as part of pursuing sustainability in this important sector in Zimbabwe.

4.3 Command Agriculture

The command agriculture that was launched by the Government in 2016 provides some insights on the problems and prospects of On-lent loans and government guarantees in the agriculture sector.

See Box 4.1 for brief narrative of the Command Agriculture.

BOX 4.1: COMMAND AGRICULTURE

In 2016, the Zimbabwe Government initiated the Special Maize Import Substitution Programme to enhance domestic production and reduce food imports. The Special Maize Import Substitution Program commonly known as the Targeted Command Agriculture Program (TCAP) is akin to contract farming scheme enlisting both the peasantries and the smallholder farmers with funding support largely from domestic capital. Command agriculture represents a relatively novel, if not an innovative approach by government to finance food production through contract farming to serve the domestic market. The program involves a private company- Sakunda and Grain Marketing Board (GMB) (parastatal), and private companies tasked with supplying inputs to GMB for allocation to the farmers through its countrywide depot networks. However, on the financing front, the program appears to be contributing to the domestic public debate. Sakunda which is key in implementing the TCAP program was issued Treasury Bills. Concerns have been raised that the interest rates were too high and would potentially cripple the government's fiscal capacity in the next few years if left unchecked. Also involved is the GMB a parastatal that is tasked with buying of maize, small grains and soya beans from farmers and reselling to millers. Observers have argued that ultimately, the beneficiaries of these loans will not be able to pay and government will assume the debts as usual.

It should be noted that the Command Agriculture Program (CAP) input financing scheme was transferred to the banking system in the 2019/2021 agriculture season and renamed the National Enhanced Agriculture Productivity Scheme (NEAPS). However, government's exposure under NEAPS has continued in the new arrangement via bank loan credit guarantees. Going forward, perhaps measures put in place to overcome agriculture sector constraints arising from land tenure insecurity, including collateralisation, and inadequate investment in rural infrastructure would help improve productivity at lower long-term costs[15]. As previously mentioned, it however remains to be seen whether the Government of Zimbabwe will respect the ceilings on guaranteed and On-lent loans as stipulated by its new policy in order to address some of the challenges that arise out of On-lent and public guarantees in the agriculture sector and indeed in all other sectors of the economy.

4.4 Blocked Funds

As noted in Section 2 of this Report, the external debt and liabilities of Zimbabwe consist of not only the foreign currency debt owed by the public as well as private sector but it also includes foreign exchange liabilities of the RBZ. The problem of blocked funds emanated from the currency reforms where the RBZ accumulated foreign currency payments for goods and services which it could not remit due to shortage of foreign exchange. Despite all the celebratory tone by monetary authorities around the foreign exchange auction system, the RBZ has failed to clear the backlog resulting in huge amounts of accumulated blocked funds. As at end of December 2021, blocked funds stood at US$3,533 billion[16]. This is yet another debt that has to be borne out by the state. Table 4.2 below provides the categories of the blocked funds.

Table 4.2: Blocked Funds as at end December 2021 (US$ millions)

Category	US$ millions
RBZ	2,100
Of which:	
Fuel Suppliers	519
Grain Suppliers	173
Airlines	127
Other Strategic Commitments	1,290
Private Sector	1, 424
Total	3, 533

Source: Zimbabwe Public Debt Management Office & RBZ

15 IMF, March 2022

16 Public Debt Management Office (2022). Zimbabwe 2021 Annual Debt Bulletin

What is even more concerning in this table is the US$1.29 billion which is stated as the 'Other Strategic Commitments'. There is no explanation as to what these strategic commitments are, and yet the debt is supposed to be paid by government. Suspicions arise from such lack of transparency. It should be reiterated here that the Blocked Funds of US$3.533 billion was assumed by the Government of Zimbabwe in December 2021 through the Finance Act No.7 of 2021. The following is a summary of some of the examples of debt assumptions in recent years:

- 2022: Government is in the process of assuming the debt owed to Trafigura Group on contracts worth US$225.6 million dating back to 2016 for fuel payments made by the company on behalf the RBZ. The Government is set to assume the debt from RBZ and the payments are to be made through nickel from Bindura Nickel Corporation and gold from Shamva and Fredda Rebecca Gold Mine.
- 2021: Government committed to assume Air Zimbabwe debt of US$495 creditors; ZISCO US$500 million; and RBZ US$1.4 billion.
- 2019: Government approved the assumption of TelOne's US$338 million legacy debt.
- 2019: Government agreed on contingent liabilities of US$3.5 billion as compensation owed to former commercial farmers who were affected by the Fast Track Land Resettlement Program of the early 2000s.
- 2015: Government assumed approximately US$1.5 billion debt which was part of the non-performing loans to politically connected individuals who received loans under the US$200 million Farm Mechanisation Program[17].

The above examples are only indicative of the rampant program of debt assumption by the Government of Zimbabwe. What is worrying is that a) most of the assumed debts have benefitted narrow political elite at the expense of the collective interest of the citizens; b) most of the debts were assumed without any verification of how they were contracted and who is responsible for their accumulation; c) some of the assumptions were made without following due process hence the violation of the law by Government itself; and d) debt assumption has become one of the drivers of public debt in Zimbabwe.

4.5 Concluding Remark

As recommended by the Annual Debt Management Report for Zimbabwe-2020, the Government of Zimbabwe should ensure that beneficiaries of government guarantees' programmes perform in line with the terms and conditions set in the agreements to ensure that these will not be called up as this further worsens the country's debt burden. The next two sections on State Enterprises and Parastatals and Local Authorities will provide a more nuanced analysis of the state guarantees and debt assumptions in Zimbabwe.

17 Zimbabwean (19 July 2022)

SECTION 5: STATE ENTERPRISES & PARASTATALS DEBTS

5.1 Overview

As previously explained, the Government of Zimbabwe is amassing large amounts of debt along with State Enterprises and Parastatals (SEPs) as well as Local Authorities that are also piling up theirs as well. Literature indicates that borrowing by SEPs creates a risk of contingent liabilities that may not be reflected in the government accounts because the debts of SEPs are often not fully integrated into the public sector's balance sheet. At the same time, not all liabilities of SEPs are structured in ways that make them recognisable as debt, which obfuscate the true position of sovereign debt as explained in Section 2 of this Report. However, this section privileges the SEPs as one of the key drivers of debt conundrum in Zimbabwe. These entities have long experienced financial woes, mismanagement and weakened balance sheets. Even with fiscal support estimated at 11 percent of GDP between 2011 and 2018, and quasi-fiscal support, SEPs continue to experience severe cash-flow problems that are adversely impacting their operational performance with key utilities such as power and water as well as the rail systems experiencing perennial service delivery challenges[18].

Zimbabwe's SEPs portfolio contains a total of 179 public entities which currently contribute less than 2 percent of the country's GDP and yet in the mid-1990s they accounted for more than 40 percent of the national wealth and gainfully employed thousands of workers. SEPs are of particular interest in this Report largely because they are heavily indebted and the government is a guarantor of their debts. As is the case with many African countries, SEPs in Zimbabwe have not lived up to the expectations of the public at large. Available evidence indicates that they are characterised by rising losses, rapid institutional decline, loss of market share-despite monopoly status in some sectors-and increasingly shaky balance sheets. The income statements are equally distressing. All this has long been known in government circles. While the COVID-19 pandemic, natural disasters such as Cyclone Idai and droughts, and more recently, the Russia-Ukraine War have further deepened the economic difficulties that Zimbabwe faces, they are not the primary causes of the systemic decline of SEPs in Zimbabwe. They only made more visible the long-standing rot in this sector.

5.2 Paralysis of Parastatals in Zimbabwe

SEPs have been drowned into scandals which have left them underperforming and recording losses over the years[19]. In 2018, the State Enterprises Restructuring Agency (SERA) produced a report on the Performance Management Guide for SEPs in Zimbabwe and summarised the main challenges impacting on their performance. Table 5.1 below provides a summary of some of these challenges:

18 IMF, March 2022

19 Mthombeni, Admire etal. (2021). Implementation of the Public Entities Corporate Governance Act (Chapter 10.31) by State Owned Enterprises in Zimbabwe. International Journal of Applied and Basic Subjects (2021), pp.20-30.

Table 5.1 Challenges Faced by SEPs in Zimbabwe

Challenge	Description
Inadequate capitalisation	• SEPs largely rely on depressed revenue, debt and other sources of finance including government transfers to fund their operations. • Inadequate funding for capital projects especially rehabilitation and upgrading of infrastructures.
Below-cost pricing/failure to recover costs	• Some tariffs are kept artificially low and prevent cost recovery. • Compensation from Treasury for non-commercial services has not been forthcoming.
Current activities are no longer supportive of the original mandates of SEPs	• SEPs business models have not adjusted to changing situations e.g., urban transport, grain management leaving the entities unable to fund their operations.
Failure to collect money for services	• Failure to collect on services provided led to underfunding of some SEPs.
Inadequate reporting and monitoring systems	• Inadequate reporting and monitoring do not allow for transparency and accountability. • Shield misuse of public funds, corruption and inefficiencies
Ineffective Boards	• Lack of professionalism • External/political interference

Source: SERA, 2018

The problems outlined in Table 5.1 above have persisted for many years and they are part of the reasons why SEPs are a drain to the fiscus and more importantly for this discussion, key drivers of debt unsustainability in Zimbabwe. Apparently, the 2018 SERA report is consistent with the findings of the 2019 AG's report. To be specific, the AG found a lot of weaknesses in the financial statements provided by various SEPs. In particular, the following were identified as some of the key challenges affecting the financial health of SEPs in Zimbabwe: a) lack of access to lines of credit; b) high operating costs especially the wage bills; c) poor recovery strategies; and d) debt legacy and high-inter-parastatal debt. These recurring problems contribute to a lack of profits and revenue generation for the Government and more importantly to debt pile-up in these public entities. Table 5.2 below presents a summary of some of the key issues raised in the AG's Report, 2019.

Table 5.2 Issues Raised in the Auditor General's Report 2019

Parastatal	Issues Raised
CAAZ	• Domestic debt of US$165.5 million • External debt of US$100.8 million • Procurement of cell phones for Board members worth US$6, 265 without the approval of the parent ministry • Paid US$419 677 to Creative Systems for furniture in 2015, but only furniture worth US$28 614 was delivered
Air Zimbabwe	• Debt exceeded US$334 million as of 2010 • Current liabilities exceeded current assets by US$104.4 million • Collusion between management team and their insurance broker regarding overpayment of aircraft insurance premiums • Poor management of inventories • Three airlines leased without a signed lease agreement • Incorrect valuation of property, aircraft and equipment • Unsupported expenditure worth over US$107 million • Unsupported transactions on property, aircraft and equipment • Poor bookkeeping • Non-compliance with international accounting standards
NRZ	• Debt exceeds US$200 million • Accumulated loss of over US$388 million • Illegal tenants on real estate land

In addition to the above, many observers, researchers and commentators have also decried the fact that the goals and intentions of SEPs are not clearly defined, at least in practice. Many of these institutions are subject to multiple and competing objectives, on the one hand fulfilling public service obligations whilst on the other, needing to operate as profitable and commercial enterprises.

While key SEPs such as Grain Marketing Board (GMB) and Zimbabwe Electricity Supply Authority (ZESA) receive the bulk of the RBZ's foreign exchange allocation for the importation of grain and electricity, respectively, allocations are far below their requirements, forcing them to cut back on their operations.[20] Accordingly, the acute shortages of foreign exchange have seriously impaired the condition of existing infrastructure of parastatals.

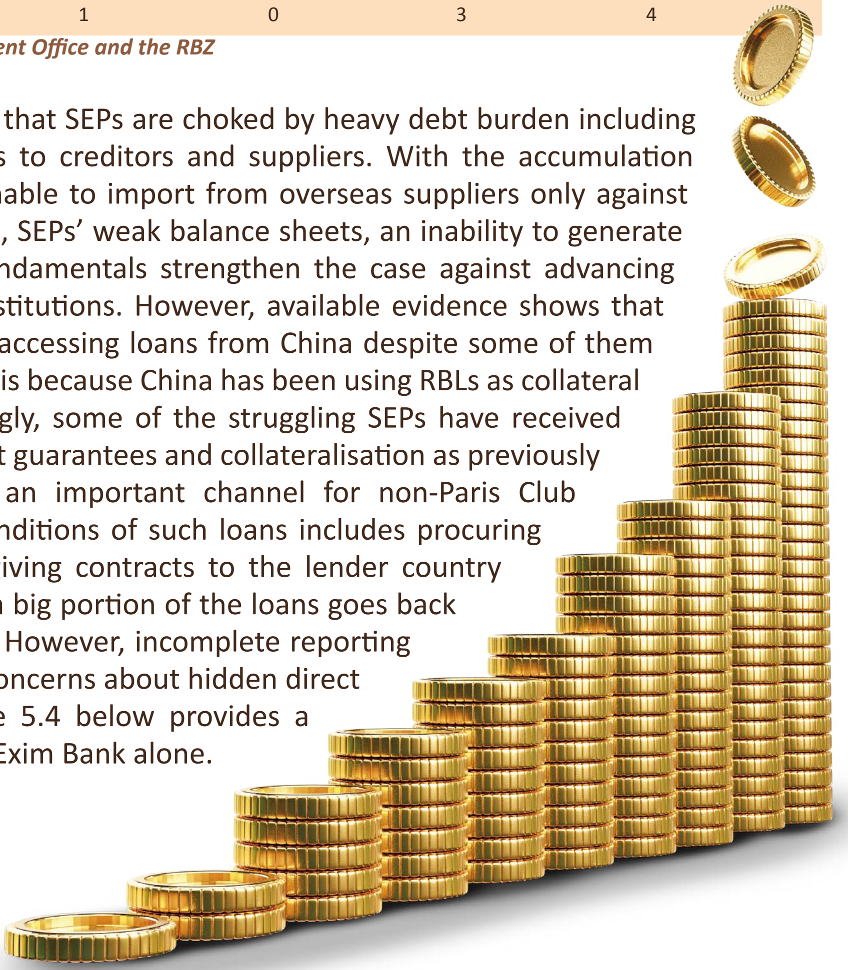
As a result, the majority of SEPs are severely indebted both internally and externally and many of them are technically insolvent as shown in Table 5.3 below. The table contains SEPs liabilities as at 30 September 2021. The amounts reflect both external and domestic contingent liabilities.

Table 5.3: External Debt of Selected State Enterprises and Parastatals as at end September 2021 (US$ millions)

	Debt Outstanding & Disbursed	Principal Arrears	Interest Arrears	Penalties	Total
IDBZ	0	23	3	26	52
ZESA	2	236	198	163	598
Telone	17	174	99	138	429
NetOne	-	18	9	13	40
NRZ	-	8	2	4	14
ZISCO	-	67	67	36	170
ZAGRINDA	-	7	0	12	20
NOCZIM	-	21	0	31	52
Wankie Colliery	-	4	0	8	12
Petrozim	-	1	0	3	4

Source: Zimbabwe Public Debt Management Office and the RBZ

In short, Table 5.3 above shows that SEPs are choked by heavy debt burden including arrears and over-due payments to creditors and suppliers. With the accumulation of external arrears, SEPs are unable to import from overseas suppliers only against advance cash payments. Indeed, SEPs' weak balance sheets, an inability to generate revenue, and poor financial fundamentals strengthen the case against advancing more loan facilities to these institutions. However, available evidence shows that SEPs have over the years been accessing loans from China despite some of them being technically insolvent. This is because China has been using RBLs as collateral for some of its loans. Accordingly, some of the struggling SEPs have received RBLs on the back of Government guarantees and collateralisation as previously mentioned. In fact, SEPs are an important channel for non-Paris Club bilateral loans. Some of the conditions of such loans includes procuring equipment from lenders and giving contracts to the lender country companies which ensures that a big portion of the loans goes back to benefit the lender country[21]. However, incomplete reporting on SEPs debt raises significant concerns about hidden direct and contingent liabilities. Table 5.4 below provides a snapshot of SEPs debt to China Exim Bank alone.



20 Kojo, Naoko (2015). Zimbabwe: A Preliminary Review of Parastatals, DOI: 10:13140/RG.21.1552.2408

21 ZIMCODD (2021). The Bane of Resource-Backed Loans and their implications to Debt Sustainability in Zimbabwe, ZIMCODD, Harare.

Table 5.4 SEPs Debts to China Exim Bank

Loan Name	Date Signed	Loan Amount	Loan Currency	Total Arrears
NetOne Expansion Phase I	01.06.2010	286	CNY	13
NetOne Expansion Phase II	25.08.2014	1,360	CNY	47
Victoria Falls Airport	05.04.2012	1,025	CNY	54
ZPC Kariba South Hydro	11.11.2013	319	USD	-
TelOne Backbone Network	01.12.2015	99	USD	0.5
RG Mugabe International Airport	04.04.2018	1,045	CNY	3
Hwange 7&8 Power Station	04.07.2016	998	USD	-
Grand Total				119

Source: Zimbabwe Public Debt Management Office, 2021

5.3 Inter-Parastatal Debt

The debt overhang in SEPs is not only external but also domestic. In particular, a vicious circle of debt exists between SEPs, other government departments, and local authorities (see Section 6 for more discussion on SEPS-Local Authorities Debt). A report produced by SERA in 2014 indicated that SEPs owed each other more than US$1 billion and much of the country's US$6.1 billion of the public debt at the time was attributed to losses by poorly managed SEPs[22]. See more details in Box 5.2 below.

BOX 5.1: Inter-Parastatal Debt

SEPs are caught up in a web of inter-parastatal debt. For example:

- Civil Aviation Authority of Zimbabwe (CAAZ)'s debt of US$44.1 million was attributed to Air Zimbabwe, National Handling Services (NHS) and Catecraft all of which are SEPs that failed to service their debts to CAAZ.
- NHS owed the CAAZ US$5.8 million, and NHS attributed its non-payment of the outstanding debt to non-payment by Air Zimbabwe.
- Catecraft owed CAAZ US$1.2 million and was paying US$1, 000 per month against an average invoice of US$10, 000 per month. The company attributed non-payment to low business and non-payment by Air Zimbabwe.
- Zimbabwe Broadcasting Corporation (ZBC) owes ZESA Holdings, Zimbabwe Revenue Authority (ZMRA) and Largadere Sports and Entertainment.[23]

This study did not establish whether there was any inter-parastatal debt resolution plan. This simply means the inter-parastatal debt could now be worse than what is shown in Box 2 above.

5.4 Assumption of Parastatals Debts

It should be reiterated that SEPs make up a not-so-modest share of the Government of Zimbabwe's liabilities but have few tangible returns to show for the generous financial safety net provided to them. It is evident that the public debt stock in Zimbabwe has been ballooning in recent years for a number of reasons not least of all leakages in SEPs which are ostensibly camouflaged by Central Government through subsidies, loan guarantees, and loan takeovers. SEPs borrowing often have an implicit or explicit sovereign guarantee, making it part of the national debt, and the government's overall debt burden.

As noted earlier, in 2018, Cabinet passed a decision to assume SEPs debt worth US$1 billion owed to domestic and external creditors by ZISCO Steel, TelOne, National Railways of Zimbabwe (NRZ), Air

22 Armitage, Alex (not dated). Parastatals Policy Analysis: Maximising Zambia's National Resources and Economic Growth, PMRC

23 Zimbabwe Independent, March 18, 2022

Zimbabwe, and Civil Aviation Authority of Zimbabwe (CAAZ) classified as legacy debts. More recently, NRZ management has written to the Minister of Finance and Economic Development to take-over its debt since the Government is the guarantor of the loans[24]. What is worrying is that the Government of Zimbabwe has been assuming debts of SEPs without determining how the arrears were accrued. Thus, the assumptions are done despite the widely known governance challenges and malpractices in SEPs. What it means is that the Government has been condoning inefficiencies and corruption by transferring the debt burden from these institutions to the national fiscus thereby worsening the unsustainability of the national debt. In the event of public debt restructuring, the debt of SEPs shall also be considered either because their loans are guaranteed by the Government or because attempting to draw a distinction between the debts of SEPs and the debts of the Government is essentially meaningless in the context of Zimbabwe.

Box 5.2: TelOne Debt Conundrum

According to the Herald issue of 10 April 2019, TelOne owed Eksportfina of Norway US13.8 million; Exim Bank of Japan (Sumutomo II) US$9.5 million; BNP of France US$36.2 million; African Development Bank (AfDB) US$89.9 million; Overseas Economic Cooperation Fund (OECF) JBIC III of Japan US$152.4 million; and Kredittanstalt Fur Wiederaufbabu (KFW 11A) of Germany US$12.6 million. The bulk of the loans had punitive interest rates. But it is the penalty interest rates that have caused a huge jump in the debts. It was reported official figures show that by the fourth quarter of 2018, the principal balance of the legacy loans was US$177.5 million while interest, arrears and charges amounted to just over US$206 million. TelOne's position is further compounded by the fact that the Government itself owes TelOne in excess of US$100 million. In April 2019, the Government resolved to assume TelOne's debt.

Source: The Herald, 10 April, 2019

5.5 SEPs Reforms

Given the involvement of SEPs in providing essential services such as water, sanitation and power to large segments of the population, effective governance and performance of these institutions is critical. In his Mid-Term Budget Review and Economy Review made on 28 July 2022, the Minister of Finance and Economic Development, Mthuli Ncube reported progress on the restructuring of SEPs such as Petrotrade, TelOne and NetOne, Silo Foods, National Railways of Zimbabwe (NRZ), Allied Timbers, Postal Office Services Box (POSB), Infrastructure Development Bank (IDBZ), ZESA, Traffic Safety Council, ZIMPOST, Zimbabwe United Passenger Company (ZUPCO), as well as the merging of Powertel, Zarnet and Africom. The reform agenda of Government prioritises recapitalisation through partial privatisation, corporate governance reforms, demergers, outright disposals and amalgamations of some entities into existing governments among others. Presumably, SEPs reforms should result in well performing entities that would significantly contribute towards the achievements of NDS1 and Zimbabwe Vision 2030.

However, the Minister's progress report re-echoed what has been routinely reported since 2010 when the Inclusive Government adopted the Principles of Corporate Governance Framework for SEPs. Since then, the SEPs reform agenda has been a regurgitation of the same old ideas without implementation while the SEPs debt continues to drain the fiscus. There are claims that one of the main reasons why the Government has not forcefully implemented far reaching SEPs reforms is that the ruling elite are fearful of losing their last bastion of patronage and resources (in terms of board directorships, access to cheap loans, employment possibilities for themselves, and their constituents, vehicles and other perks as well as conduit of funds to partisan political programs).

Perhaps to expedite SEPs reforms and oversight, it may be necessary for the Parliament of Zimbabwe to consider setting up a Parliamentary Committee specifically responsible for their operations and

24 Office of the Auditor-General of Zimbabwe, Report of the Auditor-General for the Financial Year Ended December 2020 on State Enterprises and Parastatals., present to Parliament of Zimbabwe, 2022

performance. Such committees are prevalent in East African countries including Kenya, Tanzania and Uganda. The committee should be charged with the responsibility to examine the reports and accounts of SEPs, examine any relevant reports issued by the Auditor General. It can also monitor whether SEPs are being managed in accordance with sound financial or business principles and prudent commercial practices. In short, the main focus of the proposed committee could be:

- Consider annual reports and accounts for SEPs;
- Consider reports, if any, of the Auditor General on SEPs bodies;
- Consider, in the context of the autonomy and efficiency, the operations of SEPs bodies, whether the affairs of SEPs bodies are being managed in accordance with the relevant regulations, rules and general orders, sound business principles and prudent commercial practices;
- Report and make appropriate recommendations to government through parliament on the mandate, management and operations of SEPs bodies;
- Examine the instruments relating to the acquisition and disposal of SEPs companies and ensure that such exercises are conducted in a fair and prudent manner;
- Carry out detailed scrutiny of activities being undertaken by SEPs bodies and make appropriate recommendations to Parliament for ultimate consideration by government;
- Make, if considered necessary, recommendations to the executive on the need to review certain policies and existing legislation relating to SEPs bodies; and
- Consider any matter that may be referred to it by the Speaker or an Order of Parliament[25].

5.6 Concluding Remark

There are several important lessons to draw from the analysis set out in this section. First, it was noted that many SEPs in Zimbabwe have been chronically recording large losses, which are the major causes of the unprecedented macroeconomic instability in the Zimbabwean economy. These concerns have had deep impact over the ability of SEPs to fulfil their mandates and directly affect the country's economy. Unless key economic factors underlying their performance, such as shortage of foreign exchange emanating from the seriously misaligned exchange rate and artificially-low controlled prices, amongst others, are addressed decisively, no major improvements in the financial position of SEPs are likely to take root. Second, as part of the reform package of the SEPs, it will be important for the policy makers to carry-out a comprehensive review of all parastatal organisations to determine their individual financial and management status while at the same time ensuring that reforms do not jeopardise the enjoyment of citizens' rights. Third and final, Government should implement comprehensive SEPs reforms supported by a strong corporate governance strategy based on factors such as strong work ethic, discipline, enforcement and monitoring of policies, crackdown on corrupt activities, accountability, following up on proper procedures in executing work tasks, non-tolerance on laziness, accomplishing tasks on time, performance related incentives and strong supervision systems[26].

25 These terms of reference were adopted from the report of the Parastatal Bodies of Zambia, 2017.

26 Muzapu, Rangarirai (2016). Managing State-Owned Enterprises (SOEs) and Parastatals in Zimbabwe: Human Resource Management Challenges-Drawing Lesson from the Chinese Experience, DOI: 10.5923/J.MM.20160604.01

Additionally, Government must appoint competent and autonomous management bodies to oversee their day-to-day operations. Moreover, the Government of Zimbabwe must stop assuming parastatal debts without verification of how the debt piled-up in the first place. In short, SEPs must adhere to the provision of the Public Entities and Corporate Governance Act of 2018.

SECTION 6: LOCAL AUTHORITIES IN 'DEBT PEONAGE'

6.1 Overview

Along with State Enterprises and Parastatals (SEPs), Local Authorities are a major sector in Zimbabwe. It is widely accepted that there is no part of the public sector that plays a larger role in the lives of the citizens of a country on a daily basis than local authorities. The provision of water and electricity, removal of refuse, provision of sewage services and infrastructure such as roads are part of the mandates of local authorities[27]. However, in most local authorities in Zimbabwe, revenue sources are generally inadequate to finance council operations. As such, the majority of them are in financial distress and service delivery has significantly declined as evidenced by erratic water supplies and increase in water borne diseases, potholes in most of the streets across the country, and dilapidated public infrastructure such as roads and sewer reticulation systems among others[28].

Ordinarily, local authorities derive the bulk of their revenues from property tax, receipts from trading accounts, tariffs or fees for services rendered, and road grants. However, due to the economic difficulties in the country, these sources have been relatively underperforming leaving the local authorities without revenues for effective service delivery. In all intents and purposes, the majority of the local authorities in Zimbabwe are entrapped in a form of a 'debt peonage' or a vicious debt circle. Most of the official information about the debt situation in local authorities has come to light through the reports of the Office of the Auditor General. The 2019 Auditor General report was so damning to local authorities across the country. Local authorities such as Harare, Gweru and Mutare were castigated for mismanagement, weak institutional frameworks, poor corporate governance and many other ethical challenges. Again, special audits that have been carried out for the local authorities reveal that most of their resources including donor funds are focused on salaries with fewer resources channelled towards service delivery.

In short, there is limited adherence to the prescribed 30:70 as the ratio to which employment cost is supposed to be in comparison to total revenue[29]. In the reporting year 2021-2022, local authorities' economies have significantly contracted and continue to shrink with the deteriorating state of the economy. However, apart from the general national economic difficulties, some informants consulted for this report noted that, the problem of local authority finance in Zimbabwe has also been due to corruption and mismanagement of the resources. Many projects either do not get started at all or those that are started get stalled due to funds having been siphoned off by corrupt council officials and or local councillors acting on their own or in collusion with people in the private sector.

6.2 Sources of Local Authorities Revenues

As previously mentioned, local authorities derive their revenues mostly from both internal and external sources. Of the internal sources some are land based in the form of property tax while others are non-land sources including licenses. On the other hand, external sources include governmental transfers, grants and funds from borrowing. Table 6.1 below provides a summary of local authorities' revenues.

27 Urban Councils Acts
28 Chakunda, V (2020), Impact of Public Debt on Service Delivery in Local Authorities, ZIMCODD.
29 Also see ZEPARU (2019). Exploring the Key Success Factors in Implementing Devolution in Zimbabwe. www.zeparu.co.zw

Table 6.1: Local Authorities Revenue Sources[30]

Local Authorities Revenue Sources				
Internal Sources			**External Sources**	
Land based revenues	Non-land-based revenues	User Charges	Government transfers	Borrowing
Property Taxes	Taxes, vehicles, animals etc	Service chargers (water, parking, sewerage etc)	Grants, regular transfers	From government
Land Fees	License fees for various businesses and occupations	Administration fees such as building permits, registration	Grants for specified purpose	From private capital markets (including national markets)

Table 6.1 above presents a theoretical picture of revenues at local level rather than a representation of a particular local authority or local authorities in Zimbabwe. As explained elsewhere in this report, like Parastatals and State Enterprises, Zimbabwe's local authorities are also in financial distress. They are impacted by some global and national factors as much as they are impacted by their own local context. Below are some of the reasons why local authorities in Zimbabwe are financially distressed: Local authorities are over leaning on declining Central Government financing in the form government transfers and grants among others. The current system of operating transfers is highly problematic. For example, the grant system is inconsistent and inequitable, grants are unpredictable, there is no certainty as to what any local authority will receive in any given year, and the grants are not based on objective, rational policy criteria. This tends to worsen service delivery at local level.

The revenue base for local authorities is also not very diversified. There is generally a high dependence on user fees as the main source of revenues, which is affected by the willingness to pay as well as capacity to pay by the users[31]. Local authorities also have a poor record with respect to revenue collection in general. The average collection capacity for local authorities is about 52 percent. Rates debtors owe councils vast sums of money and the figures have been increasing year by year. The frequently cited reason is that tax delinquents simply do not have the capacity to pay.

Local authorities have limited revenue raising powers as they are subject to Central Government control and direction[32]. In fact, there is enormous intervention by the Minister of Local Government, Public Works, and National Housing in the area of revenue mobilisation and spending in local authorities. The interference is disruptive to the smooth running of local authorities. For example, the Ministry of Local Government effected significant cuts on councils' budgets for 2020 despite rising annual inflation rates, increasing cost of local government services production chains; and high foreign currency exchange rates. In particular, the Minister reduced the Gweru City Council budget of ZWL$3.6 billion to ZWL$1.8 billion; that is 50 percent reduction. This has resulted in the Gweru Council struggling to deliver goods and services effectively and efficiently to the residents.

There are also potentially political frictions between local authorities and the Ministry of Local Government and Public Works. The parent Ministry seem to be deciding on the use of devolution funds on behalf of local authorities. What is worrying is that Government has continued to release devolution funds to provinces and local authorities without an enabling devolution legislative provide checks and balances of these funds.

In 2009 the Government of Zimbabwe took away from the local authorities the responsibility for issuing vehicle licenses. This was the major source of financing road maintenance projects for urban councils.

30 Mosha, A.C. (Not dated). Challenges of Municipal Finance in Africa: Gaborone City, Botswana

31 Dube, C (2019). Main Bottlenecks at the Local Authority Level that could posed challenges for growth and development, ZEPARU.

32 Zhou, Gideon & Chilunjika, Alouis (2013). The Challenge of Self-Financing in Local Authorities: The Case of Zimbabwe, International Journal of Humanities and Social Sciences, Vol.3 No.11

6.3 Local Authorities Borrowing

In accordance with the law in Zimbabwe, local authorities are permitted to borrow local for capital works or improvements, acquisition of fixed property, certain kinds of advances, payment of compensation (excluding that for permanent employees), liquidation of previous loans, and relief of general distress and acquisition of plant. Specifically, the Urban Councils Act (Chapter 29:15), provides that local authorities can borrow to finance capital projects and not recurrent expenditure. However, contrary to the provisions of the law, the 2018 AG's Report shows that Local Authorities in Zimbabwe were borrowing for recurrent expenditures and that has had a negative bearing on public service delivery, as some of the funds borrowed were not used for projects that generated resources for repayment of the loans and overdrafts.

The case in point is the City of Harare that borrowed US$32.5 million from CABS[33] to fund salaries and terminal benefits of employees without Ministerial approval provided for in the Urban Councils Act (Chapter 29:15). At the same time, part of the US$44 million loan facility from China (guaranteed by Government) that was earmarked for the rehabilitation of Morton Jaffrey plant, water treatment chemicals, and construction of a laboratory as well as for the installation of pressure valves and prepaid meters was diverted by city authorities towards purchasing 25 luxury cars for top management. To date the council is struggling to service the debt despite the scandals. In a separate but similar situation, the Gweru City Council and Mutare City Council were also implicated in the borrowing of funds for recurrent expenditures amounting to US$775, 000.00 and US$5.4 million respectively.

6.4 Impact of SEPs Debt on Local Authorities

State Enterprises and Parastatals (SEPs) have contributed significantly towards local authorities' services delivery woes and vice-versa. Some SEPs and some government departments have struggled to meet their statutory obligations and for services rendered by local authorities including waste collection and water provisioning among others. On the other side of the ledger, local authorities also owe substantial amounts of debts to SEPs such as ZIMRA, ZETDC, TELONE, ZINWA, ZINARA and NSSA. Table 6.2 below provides a glimpse of the debt relations between local authorities and State Enterprises and Parastatals.

33 Chakunda, V (2020), Impact of Public Debt on Service Delivery in Local Authorities, ZIMCODD.

Table 6.2: Local Authorities-SEPs Debt Nexus

Local Authority	Creditors	Amount Owed (ZWL$)	Amount Due to Council (ZWL$)
Chirumanzi RDC	ZEDTC, ZINARA, ZINWA, ZIMRA	$6 000 000	Not given
Hwange Local Board	ZIMRA, TELONE, ZINWA, ZETDC, NRZ Workers	$6 000 000	Not given
Gweru Town Council	ZETDC, ZIMRA, ZIMDEF TELONE, LAPF, First Mutual, Nyaradzo, CIMAS etc	$222 728 811	$759 657 662
Kwekwe City Council	Government, commerce, Industry	$405 181 744	$258 251 115 (rates)
Insiza	Pension for staff and former workers and other service providers	$6 000 000	$65 000 000 (stands, taxes)
Epworth	-	$13 000 000	Not disclosed
Kariba	ZESA, TELONE, ZINWA CIMAS, ZNPF, NSSA, ZIMRA, LAPF salaries	$97 638 726	Not disclosed
Marondera	ZESA	$40 000 000	Not disclosed
Chinhoyi	NSSA, ZIMRA, ZESA TELONE, COMPLEX, salaries	$72 445 000	Not disclosed
Gutu	ZESA, ZIMRA, TELONE Salaries	$6 600 000	$87 000 000
Mutare City Council	ZESA, Salaries	$22 000 000	$5 448 738 (Mutasa RDC water
Harare	ZESA, ZIMRA, China debt Statutory	$2 700 000 000	$8 000 000 000 (rates)
Chitungwiza Town Council	ZESA, ZIMRA, Pensions	$74 584 000	Not disclosed
Chipinge Town Council	ZESA, ZIMRA, NSSA LAPF, ZIMDEF	$17 760 712	Not disclosed
Gwanda	ZESA, ZINWA	$140 000 000	Not disclosed
Victoria Falls	ZESA	$21 000 000	Not disclosed
Bulawayo	-	$1 005 215 213	$1 872 167 954
Total			

Source: Maketo &Chirisa (in press)[34]

Although Table 6.2 above does not indicate the amounts that are due to most local authorities, claims have been made that the burden of debt for services offered such as water, electricity, rates and taxes to SEPs such as NRZ, ZESA and TelOne as well as other government departments by their respective local authorities is high. There is a need for stand-alone research to decouple the vicious cycle of debts between and SEPs and Local Authorities.

6.5 Debt Politics in Local Authorities

In recent years, the Ministry of Local Government has used two unorthodox tools namely debt cancellation or debt assumption to interfere with local authorities. First in 2013, the then Minister of Local Government Hon Ignatius Chombo ordered all the local authorities in the country to cancel the debts of all outstanding water bills and sewerage collection. This was done a few months before the 2013 elections. The interpretation of this policy move by observers was that the ruling elite were canvassing for the urban vote through this move. The debt cancellation left the local authorities denied of their revenues for service delivery and most of them have never recovered that policy decision. Second, recently, the Minister of Local Government, Public Works and National Housing has proposed that government should assume the responsibility to pay the controversial Pomona-GeoGenix BV Waste to Energy project. If any assumption of such a debt is to be done, then it has to go

34 Maketo, J.P. &Chirisa, I. (in press). Debt Management Ethic in the Public Sector of Zimbabwe: Case of Local Authorities.

through the proper channel which allows it to be scrutinised whether the debt is justified and should be taken up by citizens[35]. Third and final, the current implementation of devolution without the Devolution Act and the institutional arrangements that operationalise provincial councils is creating challenges. This confusion has allowed the Minister of Local Government to procure equipment on behalf of local councils which is not in tandem with the needs of the local councils. Moreover, central government has been selectively distributing devolution funds local authorities. The urban councils that are largely run by the opposition councillors are generally short-changed when it comes to the distribution of the 5 percent devolution funds as compared to their rural counterparts which are largely governed by the ruling party.

6.6 Concluding Remark

The problems in local authorities are part of the larger debt crisis in the country. The resolution of the national debt crisis is likely to have a positive impact on service delivery at local level. Additionally, in order to fulfil their mandate in a fiscally responsible manner, local authorities must also realise that adequacy of their own resources is the key to an improved ability to deliver the much-needed goods and services and to a better accountability of local officials to their constituents[36]. As such, local authorities should come up with various innovative financing mechanisms including public private partnerships, land sales as land developers were currently selling unserviced land.

35 ZIMCODD (2022). The Pomona Deal: A Case of Impunity and Illegitimate Debt Assumption.

36 UN-HABITAT (2015). The challenge of Local Government Financing in Developing Countries

PART III: TOWARDS A COMPREHENSIVE & EQUITABLE DEBT WORKOUT PROCESS

Section 7: The Promise of Special Drawing Rights (SDRs)

7.1 Overview

One of the opportunities for Zimbabwe to embark on an economic stabilisation program and a debt resolution process was presented by a windfall of the IMF Special Drawing Rights (SDRs) to the tune of US$958 million. Contextual and conceptual background first. In 2021 the IMF allocated US$650 billion worth of SDRs to support countries in their response to the health and economic consequences of the COVID-19 pandemic. By definition, SDRs are assets created by the IMF to supplement members' official foreign reserves. They are based on a "basket" of five currencies namely: the American Dollar, British Pound, Chinese Renminbi, Euro, and Japanese Yen. To be clear, SDRs represent one of the most viable and debt-free mechanism for raising financial resources for the economically vulnerable and poor countries especially during times of economic difficulties such as the global financial crisis of 2009 and the COVID-19 pandemic. Box 7.1 below provides some of the key advantages of SDRs for a country like Zimbabwe.

Box 7.1 Advantages of Special Drawing Rights (SDRs)

Below are the six advantages of SDRs that are relevant in debt management processes:

- SDRs are an automatic credit line-up to 100% of a country's IMF quota and are available to all countries regardless of their income levels (despite its troubled international economic relations-Zimbabwe received its allocation)
- SDRs do not generate debt, as they do not entail an obligation for repayment of the principal
- SDRs do not carry any conditionalities-their issuance represent a massive financial inclusivity that can expand policy space in Zimbabwe
- SDRs generate a very low, below-market, interest rates (0.05%), which is advantageous for a country like Zimbabwe that has high risk premiums
- SDRs increase reserve assets without countries having to incur the costs are normally associated with reserve accumulation
- SDRs can be used as instruments of economic social development by freeing up resources for domestic spending on public goods.

Source: UN Special Report on COVID-19 (2022)

7.2 Priority Areas for SDRs

As mentioned above, in August 2021 the Government of Zimbabwe received its own allocation of SDRs worth US$958 million. This amount represents 20 percent of Zimbabwe's exports and 10 percent of its external debt.[37] The SDRs were meant to help Zimbabwe address its needs for foreign currency reserves as well as to combat the impact of the COVID-19 pandemic.

On 25 November 2021, in his National Budget Statement, the Minister of Finance and Economic Development, Mthuli Ncube [38] informed Parliament that part of the SDRs were going to be used to support three priority areas namely: social services, production, and manufacturing sectors. Below is a brief synopsis of these priority areas:

37 Charles Chilufiya,SDRs Are Not a Magic Wand! Put Them to Good Use.https://www.jenaafrica.org/index.php/2022/03/10/sdrs-are-not-a-magic-wand-put-them-to-good-use/?utm_source=rss&utm_medium=rss&utm_campaign=sdrs-are-not-a-magic-wand-put-them-to-good-use

38 Mthuli Ncube, Minister of Finance and Economic Development 25 November 2021, National Budget Statement.

- ***Social Sector:*** Part of the SDRs was earmarked for funding the health delivery system in general. This is because Zimbabwe's hospitals have been in desperate need of funding well before the COVID9-19 pandemic affected the country. At the same time, Government planned to build boarding schools in all the provinces of Zimbabwe especially in the rural areas using part of the SDRs. Government also proposed to provide social security safety nets for the poor and the vulnerable members of society.

- ***Productive sector:*** The focus here includes mining, manufacturing, and agriculture. Government explicitly made the point that no actual funds would be spent in this area but rather treasury would work with the banking sector to structure funding mechanisms to provide credit to private players to meet their needs. Thus, Government proposed to provide cash cover and initiate a revolving fund which would provide credit to those in need of it and their repayments would then provide funds for other players in need of capital. Government also proposed to use part of the SDRs to provide support to revive horticulture as a critical foreign exchange earner.

- ***Manufacturing Sector:*** Zimbabwe's missing manufacturing sector is one of the reasons the country has struggled with perennial foreign exchange shortages because it is heavily reliant on imports[39]. As such, the Government planned to use part of the SDRs to ensure that value addition occurs in the country's manufacturing sector and also to enhance the country's ability to earn foreign exchange.

Table 7.1: below provides a summary of the expenditure areas.
Table 7. 1: SDRs Expenditure Areas

Priority Sectors	Expenditure Areas
Investments in Social Sectors	***Health Support*** • Support to COVID-19 vaccination programs • Construction of health infrastructure in regions with extreme poverty • Support for health consumables and equipment ***Education support*** • Construction of education infrastructure in regions with poverty • Improvement of quality of education through development and learning support ***Productive Social Safety Nets*** • Community based development programs such as food for work.
Agriculture Support	• Export revolving fund for agriculture targeting floriculture, blueberries and macadamia • Small holder farmer irrigation schemes
Industry Support	Industry retooling/revolving fund for new equipment and replacement for the value chains (Cotton, Leather, Pharmaceuticals and other Agro-processing)
Infrastructure Development	• Road construction-Kanyemba • Housing Development • Gold Centres
Contingency	Contingency fund
International Reserves	Foreign Exchange Reserves

Ministry of Finance & Economic Development, November 2021

In pursuit of the above priorities, in 2021, Government made two drawdowns amounting to US$279.7 million and utilised these funds towards health (COVID-19 vaccination program), agriculture (construction of dams), social protection safety nets) and infrastructure development (road construction). Table 7.2 below provides the breakdown of the SDRs' utilisation in 2021.

39 Finance News, (20 July 2022). HOW ZIMBABWE PLANS TO SPEND IMF-SDR FUNDShttps://www.globaldiasporanews.com/how-zimbabwe-plans-to-spend-imf-sdr-funds/

Table 7.2: SDR Utilisation (US $m) in 2021

Sector	Details	US $
First Drawdown-7 October 2021		70
Health	COVID-19 Vaccines-Sinopharm	17.3
	Syringes	0.3
	COVID-19 Vaccines (vero cell) inactivated	17.3
	Ambulance procurement	0.8
		35.6
Transport	Harare-Beitbridge Road Construction	17.7
Agriculture	Dam Construction	15
	Dam Construction	1.1
		16.0
Balance Brought Forward		0.6
Second Drawdown-9 December 2021		209.7
Health	COVID-19 Vaccines	142.6
Infrastructure Development	Harare-Beitbridge Road	10.8
	Dam Construction	10.6
		21.4
Social Safety Nets	Beam and Transfers	45
Total Draw downs		**279.7**
Total Expenditures		**278.3**
Current Bank Balance		**1.4**

Ministry of Finance & Economic Development, 2022

For 2022, the Government has planned to make a drawdown of US$145 million to fund productive sectors of the economy such as agriculture, industry and infrastructure development as well as social services. But contrary to this plan, the figures obtained from the Ministry of Finance and Economic Development indicates that between September 2021 and June 2022, US$311 million was disbursed and another US$300 million was withdrawn in August 2022making the total withdrawal of approximately US$600 million[40]. The US$311 million was utilised as follows:

- Procurement of COVID-19 vaccines (US$71 million). While there is debate on the use of SDRs for containing the pandemic, the question that arises is that Government announced several consignments of vaccine donations from China. For accountability purposes, Government should provide the details of which vaccines were donations and which were bought by SDRs.

- Vaccine roll-out program (US$6 million). There are claims that most of the funds were used as allowances the teams that were monitoring the COVID-19 vaccination program. Very of it actually went towards the program itself. In the interest of transparency and accountability, it will be worthwhile for the Government to provide details.

- Procurement of COVID-19 related medical and testing equipment (US$10 million). They were press reports about the procurement of COVID-19 medical equipment, hence, there is doubt that all of the funds were used for procuring medical equipment and that there was open competition for these supplies.

40 https://www.imf.org/external/np/fin/tad/exfin1.aspx

- Support for Agriculture Productive Social Protection Scheme for rural households (US$80 million). Given that on a yearly basis, there is a Presidential input scheme which largely benefits rural communities, it would be difficult for observers know which inputs are supported by SDRs and which ones Presidential that are usually donated by China. There must be transparency in the whole social protection scheme involving agriculture.

- Support to the Road Development Program-Harare Beitbridge Road, Masvingo Road, Interchange Development Project (Mbudzi) and Emergency Road Program (US$144 million). Road development in the said roads has been taking place even before the country received its allocation of SDRs in August 2021. It is not clear why Government have allocated SDRs to the ongoing construction projects that have their own allocation from the national budget already. This again creates accountability and transparency questions.

Box 7.2: SDRs Priorities in 2009

In 2009 Zimbabwe received US$500 million worth of SDRs

The Inclusive Government which came to force in 2009 amid economic turmoil in the country was largely cushioned by the SDRs. The following is how the 2009 SDRs were prioritised:

- US$102 million used to pay IMF Arrears
- US$150 million used for purchasing agricultural inputs and infrastructure projects
- US$20 million used for lines of credit for industry under the Zimbabwe Economic and Trade Revival Facility administered by Interfin Bank
- US$215 million was held at the IMF as national reserves

Looking the above priorities, one would have reservation on the payments made to the IMF only otherwise the rest were in accordance with the needs of the country at the time.

7.3 Missed Opportunities for SDRs

- While the Government advised that it will use the SDRs to buttress the stability of the domestic currency, the reality is that the domestic currency has collapsed thereby suggesting that the SDRs have had very little impact on currency stabilisation, hence the RBZ had to introduce gold coins as a way of easing citizens' demands for foreign currency as well as curb inflation spike that has eroded the country's unstable currency[41].

- Although no figures have been made available to this study, some informants confirmed that part of the SDRs have been used by the Government to pay token debt service to the World Bank, African Development, and the European Investment Bank. Although there are no legal barriers in using the SDRs to service external debt, debt servicing is not the best way of utilising SDRs in a country that is in dire need of reviving its economy. The SDRs should have been treated as 'seeds' that should be planted in-order to generate economic activity in the country.

- Some key informants decried that some of the SDRs were used to pay wages for civil servants. There are also claims that part of the SRDs was used to pay travel and subsistence allowances for government officials that were monitoring the COVID-19 pandemic in the provinces and districts. This is not a prudential use of such funds.

- While Parliament has a role to ensure that there is transparency and accountability in the usage of SDRs and that the funds are not abused, there is no evidence that Parliament has had its hands on the pulse of these funds except just receiving the implementation plan of SDRs and aggregated data on utilisation of the SDRs. The civil society and other accountability institutions are remotely involved in the monitoring of these funds.

41 The gold coins also known as the Mosi-oa-Tunya are easily tradable locally and internationally.

7.4 Development Partner Support

Despite the tenuous relations between Zimbabwe and many of the Western governments, the country has continued to receive support from these countries and institutions. A total of US$789, 999, 004 million was committed by the development partners for the year 2022. Of this, US$190 million was disbursed in the first quarter of the year 2022. Table 7.3 below shows the distribution of the committed funds and the disbursements per sector.

Table 7.3: Development Partner by Sector (Grants)

Sector	Commitment (US$ million) 2022	Disbursement (US$ million) 2022 Q1
Agriculture	35,044, 224	5, 435, 242
Transport	1, 081, 840	11,000
Power and Energy	29, 992, 390	1, 853, 477
Water & Sanitation	2, 601, 927	2, 875, 094
Health	499, 254, 257	101, 168, 456
Education	20, 996, 350	3, 477, 587
Governance	21, 502, 883	5, 615, 838
Multi-sector	35, 250, 959	12, 854, 078
Humanitarian	111, 477, 696	54, 486, 040
Capacity Building	11, 955, 458	2, 123, 552
Basic Social Services	1, 216, 444	311, 400
Total	**789, 999, 004**	**190, 211, 764**

Mid-Term Budget Review Statement, July 22, 2022

The Table above shows that the development partners are willing to contribute to Zimbabwe's economic recovery. Their continued support despite some restrictive measures and acerbic relations between Harare and most of the western metropoles is indicative of the opportunities that exist in the event that the country is fully reintegrated in the global comity of nations. As explained in section 8 and 9 of this report, the onus is in the hands of the Government of Zimbabwe to re-engage in good faith. The prudent use of SDRs coupled with the support that Zimbabwe has received from the development partners should be a recipe for progress even if the progress is minimal.

7.5 Concluding Remark

While SDRs are an additional source of finance, they are not a replacement nor the silver bullet to the structural problems associated with debt crisis in Zimbabwe. There is no doubt that they provide an additional instrument of fiscal space and liquidity to deal with the immediate to short term impacts of the debt crisis. This means that the Government must make good use of SDRs to finance the productive sector of the economy as a building block towards debt sustainability. It is noted in this report that the beneficial effect of financial resources such as the SDRs can endure only when those resources are well-managed through good governance. With reference to Zimbabwe, the SDRs should have been ring fenced so that the citizens and the world could see how the windfall of US$958 million is deployed by the Government to change the lives of the people. This would have been one way of rebuilding a fiscal contract between the governors and the governed as well as between the Zimbabwe Government and the rest of the international community.

SECTION 8: ARREARS CLEARANCE AND DEBT RELIEF STRATEGY

8.1 Overview

There is a general agreement that the debt problem in Zimbabwe demands urgent attention, and that Harare must take full responsibility of this debt crisis and take a leading role in resolving it. By definition, sovereign debt restructuring is a process used to alter the key terms of sovereign contracts through negotiations between debtors, creditors and other key stakeholders such as civil society organisations[42]. Put differently, the debt restructuring depends largely on the creditor's willingness to negotiate, the debtor's credibility, and agreement on the debtor country's needs. The purpose behind sovereign debt restructuring is to restore debt sustainability, economic stabilisation, growth and inclusive development. It is against this backdrop that a more carefully thought-out debt workout is urgent if Zimbabwe is to revive its economic fortunes. This section therefore provides a brief commentary on the current efforts of Government towards arrears clearance, debt relief and debt restructuring strategy and what is required for debt restructuring to earnestly take root in Zimbabwe.

42 AFRODAD (2020). An African Perspective on the Establishment of a Fair and Transparent International Sovereign Debt Restructuring Mechanism (SDRM) Various Options for African Countries, AFRODAD.

8.2 Brief Analysis of the Previous Efforts

For over a decade now, there have been different attempts to resolving the problem of debt unsustainability in Zimbabwe, but nothing substantially has materialised out of the various efforts. The previous efforts include among others the Zimbabwe Accelerated Arrears, Debt and Development Strategy (ZAADS) 2010; the Lima Plan, 2015-2018; and the Transitional Stabilisation Program, 2018-2020. Table 8.1 below provides a summary of the main characteristics of the past efforts towards debt resolution in Zimbabwe.

Table 8.1 Characteristics of the Previous Debt Strategies

Zimbabwe Accelerated Arrears, Debt and Development Strategy (ZAADDS), 2010	*Lima Process, 2015*	*Transitional Stabilisation Program 2018-2022*
Main characteristics: • Establishment of the Debt Management office; • Reconciliation and validation of external debt; • Negotiating with creditors for arrears clearance, debt relief & new financing; • Re-engagement with international community on the removal of sanctions • Leveraging resources for debt clearance	***Main characteristics:*** • Use of domestic resources • Clearing of the IMF US$107.9 million debt arrears • Using a bridging loan where Afrexim bank was to pay the AfDB loan • Use of medium to long term loan facility to pay other creditors including the World Bank.	***Main characteristic:*** • Emphasis on re-engaging cooperating partners over resolving external debt • Putting in place a comprehensive and coherent macroeconomic policy framework • Strong fiscal adjustment &structural reforms • Emphasis on sequencing i.e., clearing the multilateral debts first.

Noting the lack of progress toward debt workout, the current government has since renewed its efforts in a bid to address the perennial debt problem in Zimbabwe. The following sections set out to decouple the ongoing effort of debt resolution with a view of offering counsel on some of the ways the strategy can be made to work for the generality of the citizens.

8.3 Arrears Clearance, Debt Relief, and Debt Restructuring Strategy

Most recently, the Government of Zimbabwe has adopted an Arrears Clearance, Debt Relief, and Debt Restructuring Strategy. At the core of this strategy, the Government has proposed two approaches namely; the Highly Indebted Poor Country Initiative (HIPC) and what it calls a Hybrid Debt Strategy. As part of the build-up of this two-pronged strategy, in early 2021 Government resumed making quarterly token payments to the World Bank Group (US$1million), African Development Bank (US$500, 000.00), and the European Investment Bank (US$100,000.00)[43]. Again, in September 2021, the Government also started to make quarterly token payments amounting to US$100, 000.00 to each of the Paris Club bilateral creditors as a sign of its commitment to the re-engagement process with the international community. Table 8.2 below shows Zimbabwe's projected debt service in the period between 2021 and 2025.

43 Ministry of Finance and Economic Development

*Table 8.2: Projected Debt Service (2021-2025) (US$ millions) **

	2021	2022	2023	2024	2025	2026**	Maturity
Total Projected Service	168.22	144.19	143.31	137.12	176.69	91.8	
Multilateral	36.47	31.15	32.09	32.00	31.81	9.5	
World Bank Group	29.09	23.41	23.30	23.19	23.07	5.6	2037
African Development Bank	1.85	1.84	1.82	1.81	1.80	1.0	2047
European Investment Bank	2.21	2.21	2.21	2.21	2.11	0.8	2032
Others	3.33	3.70	4.76	4.80	4.82	2.0	2043
Bilateral	131.75	113.04	111.22	105.12	144.89	82.3	
Paris Club	31.21	27.74	25.37	20.8	17.72	3.3	2038
Non-Paris Club	100.54	85.30	85.85	85.04	127.17	79.0	2044

Source: Ministry of Finance and Economic Development[44] *Projections are based on Disbursed and Outstanding but excluding future projection on on-going projects. ** 2026 Consist of Annual Average Debt Service to Maturity

The Table above indicate Zimbabwe's plan to defray its debt overhang over the next 5 years. The continuing accumulation of arrears has over the years undermined the country's creditworthiness and severely compromised the country's ability to attract foreign direct investment as well as to mobilise direct budget and balance of payments support. Clearly, Zimbabwe's NDS1 is unlikely to succeed without progress towards debt resolution strategy that is backed by key stakeholders including the CSOs, bilateral, and multilateral creditors and lenders. As part of a broader plan to resolve the debt the Government of Zimbabwe has been toying with the idea of Highly Indebted Poor Country as one of the possible approaches to debt workout.

i) Highly Indebted Poor Country (HIPC) Approach

Broadly speaking, the HIPC initiative is a comprehensive approach to debt reduction for heavily indebted poor countries pursuing IMF and World Bank supported adjustment and reform programs. The HIPC initiative was jointly launched in 1996 by the IMF and World Bank to enable poor countries to pay back their loans presumably without compromising economic growth and without building up arrears to unsustainable levels. Since then, the global financial community including multilateral organisations and governments have worked together to reduce the external debt burdens of the most heavily indebted poor countries to sustainable levels following the HIPC among the other cocktail of approaches[45]. The HIPC initiative is an elaborate approach with eligibility criteria for all its participants. For example, in order to qualify for HIPC a country must commit to poverty reduction through policy changes and demonstrate a good track-record over time.

There is little debate on the fact that Zimbabwe is currently one of the highly-indebted "poor" countries in the world but ironically, it was not considered in the HIPC initiative and the Multilateral Debt Relief Initiative (MDRI) as it did not meet the criteria. While the Government of Zimbabwe has for while been entertaining hopes on HIPC, it must be noted that the country will have to meet eligibility criteria before it can receive debt relief from the multilateral creditors through this approach.

44 Ministry of Finance and Economic Development

45 African Capacity Building Foundation and Zimbabwe Economic Policy Analysis and Research Unit (ZEPARU) (2018). An Assessment of Arrears Clearance and Sustainable Debt Options for Zimbabwe

Box 8.1: IMF on Zimbabwe's Eligibility to Debt Service Suspension Initiative (DSSI)

IMF spokesperson, Gerry Rice told a media briefing in Washington that Zimbabwe does not qualify for debt service suspension Initiative (DSSI): "Zimbabwe is currently not eligible to make a request for debt relief under the Common Framework because of its arrears to the World Bank. Once the conditions for international re-engagement are in place and arrears to the World Bank are resolved, what I can tell you is we believe the Common Framework could be useful option to address Zimbabwe's debt difficulties and of course for its part, the international community requires improvements also in domestic political conditions and economic policies to initiate re-engagement"[46]

To put it into perspective, the HIPC assessment based on end 2014 shows that Zimbabwe does not qualify for HIPC based on the present value (PV) of debt to revenues of 176 percent against a threshold of 250 percent. On the other hand, Zimbabwe has never been reclassified as being poor enough to be eligible to borrow solely from the World Bank International Development Assistance (IDA). Thus, to be eligible for HIPC, the country would require the International Financial Institutions (IFIs) namely the IMF and the World Bank to change their classification rules (which is next to impossible given the general stance of the key members of the IFIs in jealously guarding the articles of these institutions). This will also require IMF's Board grandfathering Zimbabwe through the HIPC process. There is very little hope in any one of the G7 countries providing anchorage for Zimbabwe in the HIPC process given the tenuous relations that have obtained between them and Harare over past two decades. The other problem with HIPC is that the process takes too long to implement and does not take into consideration the desperate poverty situation in the country. To be clear, the relief under HIPC is spread over a number of years for instance 20 years for the World Bank, 3-5 years for the IMF, and 14 years for the African Development Bank (AfDB). Based on the foregoing discussion, it is puzzling why the government had initially pinned its hopes on the HIPC initiative.

It is important to note that many African and Africanist scholars including Thandika Mkandawire, Adebayo Adedeji and Samir Amin have written tonnes repudiating the idea of HIPC as a panacea for Africa's debt problem. Their most contention is that HIPC is predicated on the discredited neoliberal policies of devaluation of currency, deregulation of trade, desubsidisation of agriculture, decontrol of prices, and downsizing of workers and destatisation that have helped to accentuate the scale of human deprivation, unemployment, inflation, social poverty, and inequality among many other social and economic ills. While HIPC helped to contain the problem of debt in some countries in the 2000s, it must be mentioned here that it never really resolved the problem. If anything, most of the countries such as Zambia that benefitted from HIPC are now debt distressed (a deeper discussion on this lies outside the scope of this report). Interestingly, there have been some recent media reports suggesting that the Ministry of Finance and Economic Development has dumped HIPC in favour of the hybrid strategy.

i) Appropriate Hybrid Debt Resolution Approach

The other debt resolution option proposed by the Government of Zimbabwe is the Hybrid approach. This entails a combination of using the country's own resources, and bridge concessional loan from bilateral development partners who are willing to voluntarily channel their excess resources to support Zimbabwe's debt strategy. The process also includes Zimbabwe clearing the arrears to the World Bank Group (US$1.4 billion), African Development Bank (US$681 million), and European Investment Bank (US$344 million)[47].

46 Pindula News (2 December 2021). Zimbabwe Not Eligible for Debt Relief Until After Pay World Bank Debt-IMF. www.thezimbabwean.co/2021/12/zimbabwe-not-eligible-for-debt Relief-until-after-pay-world-bank-debt/

47 Arrears Clearance, Debt Relief and Restructuring Strategy

After clearing the multilateral arrears, the country will seek debt treatment by the Paris Club. For the avoidance of doubt, Paris Club creditors provide debt treatments to debt countries in the form of rescheduling, reduction in debt service obligations during a defined period or as of set date. In this respect, Zimbabwe will need to negotiate for suspension of payment and a moratorium on interests for at least two years so that the country can create some breathing space to deal with the challenges posed by the economy. More specifically, the hybrid approach involves Zimbabwe using its own resources to clear the multilateral debts, based on the expectation that disbursements will typically occur post arrears clearance. The option envisages using a 48-hours bridge loan from the G7/G20 countries, which will be repaid using resources from International Development Assistance (IDA)48. However, due to complex international economic relations, it is difficult for Zimbabwe to obtain a bridging loan or grant. In the past, the Afrexim Bank was prepared to provide the bridging loan but the deal never came to fruition. It remains to be seen whether Dr Adesina who is now the champion of Zimbabwe's re-engagement process will be able to get a loan from the African Development Bank or any other source to kick start the debt resolution process for the country. Nevertheless, what is emerging from the foregoing discussion is that while Zimbabwe has developed and published its Arrears Clearance, Debt Relief and Restructuring Strategy, the road ahead is more complex and uncertain than it is otherwise imagined. More diplomatic engagement and practical steps need to be undertaken if Zimbabwe is to pull itself out of its current debt trap.

8.4 Challenges to Debt Resolution Process

Apart from the fact that the restructuring option for Zimbabwe is not yet clear, it is also common cause that restructurings are complicated and uncertain. The following summarises some of the impediments that can stand on the way of Zimbabwe's restructuring agenda:

- Despite the term public debt, there is a lack of information about the country's lenders and the total amount of debt. Moreover, the increasing use of opaque debt terms and practices such as loan collateralisation, RBLs, confidentiality clauses, non-market-issuance, and off budget lending to SEPs is a cause for concern. For example, undisclosed granting of collateral and quasi-collateral as well as the hidden debts may impact negatively on debt restructuring especially for those creditors who belief in debt transparency and accountability.

- The lack of clear disaggregated and truthful public data and information regarding public debt has been a problem for lenders to access the actual status of public accounts and repayment schedules. As mentioned earlier, accurate publication of data has become difficult due to debt structure being now more complex as signified by the growing influence of China in Zimbabwe. The resolution of Zimbabwe's debt is likely to be a lengthy process because the increased importance of new types of lenders impedes transparency and makes it more difficult to establish the true extent of the country's outstanding debts which complicates the coordination of different creditors.

- Debt restructuring in Zimbabwe will involve lenders from different countries, with different debt instruments and different levels of seniority. As such, the process is likely to be more complex because the credit landscape in Zimbabwe like in many other African countries has become more complex and diversified with the emergency of China and other BRICS countries that are not members of the Paris Club therefore not bound by the procedures and principles of the Euro-Western creditors. Moreover, Government's secretive borrowing from China and other global South creditors makes it impossible for other creditors to establish the scale of

48 ibid

the loans. As a result, some of the creditors are likely to be wary of offering any debt relief to Zimbabwe fearing that the Government would use the money saved to secretly service its Chinese loans. To allay such fears, the Government of Zambia which is currently restructuring its own debt, asked China to co-chair a committee of official creditors. China's participation and leadership in the Zambian process has assured other creditors of Beijing's commitment to Zambia's debt resolution. The Zambian experience may or may not work for Zimbabwe. A thorough analysis of Zimbabwe's debt landscape is a prerequisite ahead of debt negotiations in the country.

- The hybrid strategy will need the support of the G7/G20 countries and leadership and coordination of sponsors among these countries. Notably, the countries that could act as sponsors namely Germany, France, UK, Japan and USA are collectively owed a total of US$2.36 billion by Zimbabwe. The UK has made it clear the need to see progress on political reforms and the US has spelled out its conditions in ZDERA legislation. Any strategy that is underpinned by the role of these countries must also be predicated on fundamental political and economic reforms. However, the Government of Zimbabwe has been very slow in implementing these reforms.

  However, despite all these challenges, as explained above, the recent appointment of Adesina as the champion of Zimbabwe's debt resolution strategy has created some momentum and promises to catalyse all the processes toward some form of resolution of the debt conundrum in the country. He is expected to act as a catalyst that will encourage all the actors in the ecologies of debt in Zimbabwe to come together to restructure the debt in a timely and efficient manner. Key civil society organisations that are operating in the debt should be integral parts of the restructuring process in order to ensure that the rights of citizens to adequate health services, clean drinkable water, education, housing, and other amenities are not compromised in a debt restructuring exercise.

Debt restructuring requires coordination between the Government of Zimbabwe and its creditors. To ensure smooth coordination a creditor committee will have to be established to facilitate the process and minimize holdouts and litigations. Zimbabwe will need to have a number of creditor committees including multilateral, bilateral and private sector creditors. This is where Dr Adesina should play a critical role. The recent experiences of Zambia have demonstrated the importance of credit committees in forging consensus on debt workouts. The committee enable coordination, consensus, cooperation, and time management in debt negotiations.

It is important that Zimbabwe's debt negotiations be guided by the United Nations Basic Principles of Sovereign Debt Restructuring and other international and regional standards. The UN consist of i) sovereignty, ii) good faith, iii) transparency, iv) impartiality, v) equitable treatment, vi) sovereign immunity, vii) legitimacy, viii) sustainability; and ix) majority restructuring (For a more nuanced decoupling of each one of them please see Ng'ambi,2021)[49]. These principles are meant to ensure that the ordinary people are not socially harmed by the restructuring processes.

49 Ng' ambi, Sangwani, P (2021). Sovereign Debt Restructuring in Zambia: A United Nations Principles-Based Approach

Box 8.2 UN Principles on Debt Restructuring

- United Nations Conference on Trade and Development (UNCTAD) Principles on Promoting Responsible Sovereign Lending and Borrowing (to operationalise the co-responsibility of creditors and debtors
- United Nations Human Rights Commission (UNHRC) Guiding Principles on Debt and Human Rights (to integrate the primacy of human rights over debt service).
- UNCTAD Roadmap and Guide for Sovereign Debt Workouts (outline a fair debt workout process
- UN Basic Principles on Sovereign Debt Restructuring (with the aim to prevent vulture funds litigation)
- UN Sustainable Goal 17 (defines debt sustainability and restructuring as a means of implementing, operationalised in the Addis Ababa Action Agenda

8.5 Looking Ahead

Now that the champion has been found, the following are the next steps that the Government of Zimbabwe is expected to follow:

- Formation of creditor committees including the committee of Paris Club, non-Paris Club, multilateral and private creditors. For this to happen, the Government of Zimbabwe will need to complete a Staff Monitored Programme with the IMF first before the Paris Club agrees to form a creditor committee. The non-Paris Club creditors would probably prefer to see a similar track record as well.
- Government and its creditors take inventory of the existing claims against Zimbabwe and validate them in order to agree on the set of contracts to be discussed. This process is likely to be consuming for Zimbabwe largely because the government has never carried out an independent public debt audit
- Negotiations would cover the contracts the parties want to change
- When an agreement is reached and a debt exchange offer is completed, creditors will then exchange the old contracts for new and amended debt agreement contracts that reflect the negotiated settlement. Paris Club creditors would want to see comparable treatment by non-Paris Club creditors, so that Paris Club debt relief would not be used to bail out non Paris Club creditors.

8.6 Concluding Remark

Overall, it must be noted that Zimbabwe's huge external debt overhang has become a serious impediment to the country's socio-economic development and transformation agenda. In this regard, the country has to urgently find a formula to resolve its debt burden so as to lay the ground for inclusive growth and development. A swift debt restructuring strategy that is supported by a large majority of creditors and has the potential to achieve sufficient debt relief to restore Zimbabwe to solvency should be robustly pursued. But getting there is not easy, and yet the ball is in the Government of Zimbabwe's court. The Government has to provide leadership and step-up re-engagement as explained in the next section.

SECTION 9: RE-ENGAGEMENT

9.1 Overview

One of the most challenging tasks in Zimbabwe today is for the country to reset its economic international relations as well as political and diplomatic ties with some key western countries. Zimbabwe's international economic and diplomatic relations were damaged following the implementation of the land reform programme and concerns of human rights violations in the early 2000s, and today corruption has continued to soil the image of the country. It is evident that Zimbabwe's poor international relations has led to: a) the drying up of grants, which the country used to receive from developmental partners, especially from multilateral financial institutions; b) fostered the cancellation of budget and balance of payments financial support from the Bretton Woods Institutions, thus constraining the revenue base of the state; c) led to the loss of most lucrative commodity export markets, especially that of beef to Europe; d) led to the disappearance of cheap lines of offshore finances; and e) intensified capital flight.

The cumulative outcome of these adverse developments has been a general contraction of the Zimbabwean economy, leading to the excessive fiscal imbalances and unabated contraction of new non-concessionary foreign public debt – and ultimately disproportionate debt servicing burden. This section is premised on the fact that the re-engagement policy will help end the isolation that Zimbabwe has suffered in the past two decades and that a successful re-engagement will help bring back interest in the country in terms of attracting business, resolution of the debt crisis, leading to industrialisation and modernisation.

9.2 Critique of Re-engagement Strategy

Apparently, Zimbabwe Government's goal to re-engage with the West and promote the ease of doing business is yet to achieve the desired results. The current engagement strategy is more of a public relations approach rather than robust political, economic and electoral reforms. The strategy, as contained in Section 701 of the NDS1, is predicated on the assumption that a robust information management and dissemination process will project Zimbabwe as an attractive investment destination as well as reintegrate the country into the rest of the world. While rebranding is important and has a place in international economic relations, it must be noted that only really reforms, will enable Zimbabwe to take its rightful place in the global comity of nations.

One of major weaknesses of Zimbabwe's current strategy is its technicist approach. To be specific, the Government of Zimbabwe has prioritised normalising its relations with the IFIs through cooperation in policy formulation, Technical Assistance and making token payments to the World Bank Group, African Development Bank and the European Investment Bank and paying compensation to former farm owners. True, this demonstrates Zimbabwe's commitment to reengagement and debt resolution. It also serves as a building block towards the restoration of public confidence and good faith to the major multilateral creditors. However, the big elephant in the room involves more comprehensive commitment to political and electoral reforms. A technicist approach which shies away from the hard political and electoral reforms runs the risk of being a good to do thing but less effective in achieving the ultimate desired goals.

While, the Government of Zimbabwe expected to be applauded for repealing some of the draconian pieces of legislation that characterised the First Republic, it was shocked and disappointed when very little appreciation was made to its effort. To be clear, the renaming of the Access to Information and Protection of Privacy Act (AIPPA) as Freedom of Information Act as well as the re-labelling of the Public Order and Security Act (POSA) as Maintenance of Peace and Order Act (MOPA) have not done much to project the Second Republic as a reform-oriented government. The fact is that these pieces of legislation changed the names without changing their content.

In net, with respect to prospects of international reengagement, stakeholders seek significant progress on political reforms as well as implementation of economic reforms. Regarding the latter, so far efforts are falling short across a variety of sectors, including the new currency regime, inflation, prices, corruption, illicit financial flows, electoral integrity, and reform agenda in general as well as the recently launched gold coins.

9.3 Key Considerations for International Reengagement

In order to accelerate engagement and re-engagement process aimed at reintegrating Zimbabwe into a favourable global position, the following considerations will be key:

- An important step in rebuilding Zimbabwe's relationship is to improve people's everyday interactions with the state, including clamping down on both low-level corruption and improving service delivery. And dealing with official corruption which is making the country unattractive to foreign investors due to increased costs of setting up and running business in the country.
- Align existing laws to the Constitution reinforced by the maintenance and administration of a good regulatory framework and facilitation.
- Review of policies and laws which are counter-developmental and undemocratic so that they comply with principles of democratic governance.
- Implement Arrears Clearance, Debt Relief and Debt Restructuring Strategy.
- Pay particular attention to the reforms recommended by Zimbabwe Democracy and Economic Recovery Amendment Act. This is a restrictive measure that has been a hurdle in Zimbabwe's interaction with the IFIs in which the US has majority shareholdings;
- Work closely with the Commonwealth as well as the British to eliminate all obstacles that prevent Zimbabwe from being re-admitted into the Commonwealth; and
- Advance political and economic reforms to gain support of the international community and pave the way for the external arrears' clearance, debt relief and budget support.

Such considerations would go a long way toward putting Zimbabwe on a democratic path, lowering levels of political polarization, and repairing the collapsing economy. These reforms would also reassure potential investors and help to earn back the goodwill—and possible access to lending— of the international community.

9.4 Concluding Remark

Overall, it must be noted that the process of reaching political agreement on normalisation of international relations will require Zimbabwe and the national community to confront and reconcile the existing disconnect and many of the predetermined narratives that have been forged over the years. However, the responsibility is on the Government of Zimbabwe to implement a reform program, step-up a re-engagement process with all creditors and continuing cooperation with IFIs, negotiating for arrears clearance, debt relief and restructuring with all its creditors. It is also reasoned out here that monetary measures, legal reform, fiscal consolidation and initiatives to improve the business environment will only be successful if all stakeholders, both domestic and foreign, are committed to them, and that will come down to whether or not they trust the Government in Harare.

SECTION 10: RECOMMENDATIONS AND CONCLUSIONS

10.1 Recommendations

As mentioned in the previous Debt Management Reports, reengagement and arrears clearance are crucial in ensuring that Zimbabwe's public debt returns to a sustainable path. This last section presents some of the key recommendations:

- ***Public Debt Audit:*** Government must take inventory of the existing claims against Zimbabwe and validate them in order to agree on the set of contracts to be discussed in the event of debt negotiations.

- ***Engage Creditors:*** The need to engage creditors cannot be overemphasised in the process of obtaining debt relief and international reengagement. Zimbabwe's Reengagement and Debt Champion President of the African Development Bank, Dr. Akinwumi Adesina should spearhead the establishment of credit committees. Through credit committees the country can obtain firm commitments of the amount and nature of relief that creditors will be willing to avail. Such information will be critical in the formulation of implementable reengagement and arrears clearance programme.

- ***+ZIDERA:*** Comprehensive reforms remain pivotal to the implementation of the Government of Zimbabwe's Arrears Clearance, Debt Relief and Restructuring Strategy. Without reforms Zimbabwe will be locked in a cycle of debt distress-that is simply using new loans to repay current obligations. It is however not likely that the arrears clearance plan will succeed without the support of the US because of the restrictive provisions of ZDERA. For Zimbabwe to clear its arrears, it will have to convince the US to remove ZIDERA, which even after arrears have been cleared will still be a stumbling block to provide funding to Zimbabwe. The Government will have to earnestly attend to the issues of concern stated in the ZIDERA. The US holds 16.85 percent of the IMF Board's total votes hence can prevent funding from the IMF to Zimbabwe unless it is satisfied with the reforms by Harare.

- ***Readmission into the Commonwealth:*** The Government of Zimbabwe applied to re-join the Commonwealth. The intention to re-join the Commonwealth is a good idea; however, readmission would follow a comprehensive and exhaustive evaluation of the current condition in the country. A High-Level Commonwealth mission will have to consult widely all key stakeholders including civil society, labour, business, political and government itself. It is therefore important for the Government to demonstrate its commitment to uphold and respect the constitution, rule of law, and democratic governance including launching a good fight against corruption. It is only through faring well on some of these principles that Zimbabwe can be readmitted into the Commonwealth. The fact that President Mnangagwa was invited to attend the funeral service of the late Queen Elizabeth II to be held on 19 September 2022, along the global leaders and royals, it's a good sign for Zimbabwe. This is against the backdrop of countries such as Afghanistan, Venezuela, Syria, Myanmar, and Russia not being invited to attend the same.

- ***Regressive Legislation:*** The Government of Zimbabwe should desist from advancing a regressive legislative agenda aimed at narrowing democratic and civic space in the country. It will have to withdraw bills such as PVO Bill, Patriotic Bill Motion and the State Universities Amendment Bill. Before reengaging the world, the Government must show its willingness to engage its own citizens by building a new social contract with the generality of Zimbabweans.

- ***Stakeholder Approach:*** The success of the re-engagement process is not the sole responsibility of the Government. To come out of the debt trap and to embark on long-term sustainable financial policies require a new national consensus and better cooperation between different stakeholders within the country. Recent experiences of countries such as Somalia and Sudan have shown that stakeholders such as CSOs and development agencies can play a pivotal role in advancing the call for debt workouts. As such, there is need for Government to engage some of these organisations and come up with one Zimbabwean statement on re-engagement and arrears clearance. In fact, there should be a framework that clearly outlines how CSOs can be centred as key stakeholders in debt management processes. Currently, there are no guidelines or provision for the participation of the citizens or CSOs and hence allow for transparency and accountability.

- ***International and regional Principles:*** The debt restructuring strategy must comply with set of principles derived from broadly accepted international standards such as the Institute of International Finance (IIF) Principles for Stable Capital Flows and Fair Debt Restructuring; United Nations Conference on Trade and Development (UNCTAD) Principles on Promoting Responsible Sovereign Lending and Borrowing; UN Guiding Principles on Business and Human Rights; the Multilateral Development Banks' Environmental and Social Frameworks; and the Principles on Responsible Investing[50] as well as the regional policies like the SADC Protocol on Finance and Investment. The idea is to promote debt restructuring that is fair to both Zimbabwe and its creditors.

- ***Ease of Doing Business:*** Concerted efforts should be made to promote efforts to improve doing business indicators and to create a conducive investment climate that attracts the much-needed non-debt creating capital flows. As such, the Government of Zimbabwe will need to implement prudent fiscal policy, stop quasi-fiscal activities that have led to debt increases, undertake structural and governance reforms to set growth on a sustainable path. The successful implementation of these policy initiatives would accelerate accumulation of capital, productivity and economic growth, build confidence and enhance the country's ability to meet future external obligations when they fall due[51].

- ***Prudent Use of Resources:*** there is no substitute for strong financial management and prudent use of resources. Given the challenges of management of public resources, it is imperative to deploy technology to monitor revenue flows from sources through to the point of allocation and spending. At the same time, the Government should ensure that loan guarantees given to State Enterprises and Parastatals (SEPs) and On-lent loans to the farmers and local authorities perform in line with the terms and conditions set in the agreements to ensure that these will not be called up as this further worsens the country's debt burden.

---

50 Bradlow, D. (2022). A proposal for a New Approach to African Debt. https://justmoney.org/daniel-bradlow-a-proposal-for-a-new-approach-to-africa-debt/

51 ZEPARU (2018)s

- ***Pro-poor Policies:*** CSOs using its rich network should continue to lobby and advocate for pro-poor policies that put the plight of the poor at the centre stage of public financial management and debt sustainability processes so that more action and financial resources are channelled into the well-being of vulnerable groups in society. Thus, given the important role played by CSOs, it is important that they be accorded official recognition and integrated into the public financial management process as provided for the SADC PF Model Law on Public Financial Management Act, 2022.

10.3 Conclusion

It could thus be concluded that Zimbabwe's debt has remained a bane in the economy in 2021-2022 period. The debt has had adverse effect on ordinary people in general. This is particularly evident in the areas of social spending, the rise of prices, business and employment. The report has advocated that public debt restructuring be pursued with urgency and that the Government of Zimbabwe must do everything possible to resolve the debt crisis. In doing so, all stakeholders should adhere to the international and regional principles of sovereign debt restructuring. Key risks going into 2023 include general elections, tight fiscal envelop and associated cash flow constraints potentially limiting the ability to service additional loans, commitment charges and interest from new loans in the short term. It is important to adhere to prudent borrowing and managing interest rate, foreign exchange risks and economic shocks. More importantly, the Government of Zimbabwe must undertake political and economic reforms as part of its reengagement and debt resolution agenda.

REFERENCES

African Capacity Building Foundation and Zimbabwe Economic Policy Analysis and Research Unit (ZEPARU) (2018). An Assessment of Arrears Clearance and Sustainable Debt Options for Zimbabwe. http://www.zeparu.co.zw/sites/default/files/2019-03/An%20assesment%20of%20arrears%20clearance%20web%20%281%29.pdf

AFRODAD (2020). An African Perspective on the Establishment of a Fair and Transparent International Sovereign Debt Restructuring Mechanism (SDRM) Various Options for African Countries, AFRODAD. https://afrodad.org/portfolio/the-african-perspective-on-the-establishment-of-a-fair-and-transparent-international-sovereign-debt-restructuring-mechanism-sdrm-various-options-for-african-countries-2/

Adenwumi Adesina (2022). Statement made by the President of the African Development Bank (AfDB), Adenwumi Adesina on the occasion of his visit to Zimbabwe on 12 July 2022. https://www.afdb.org/en/news-and-events/press-releases/african-development-bank-group-chief-zimbabwe-get-debt-clearance-plan-underway-53183

Auditor General's Report (2019). Financial Year ended 31 December 2020: State Owned Enterprises and Parastatals. file:///C:/Users/User/Downloads/AG%20REPORT%20FOR%20THE%20FINANCIAL%20YEAR%20ENDED%20DECEMBER%202021%20ON%20STATE%20OWNED%20ENTERPRISES%20AND%20PARASTATALS.pdf

Auditor General's Report (2019). Financial Year ended 31 December 2020 on Local Authorities. file:///C:/Users/User/Downloads/Report%20of%20the%20Auditor-General%20for%20the%20Financial%20Year%20ended%20December%2031%202021%20on%20Local%20Authorities.pdf

Armitage, Alex (not dated). Parastatals Policy Analysis: Maximising Zambia's National Resources and Economic Growth, PMRC. http://www.pmrczambia.com/wp-content/uploads/2015/04/Parastatals-Policy-Analysis.pdf

Bradlow, D. (2022). A proposal for a New Approach to African Debt. https://justmoney.org/daniel-bradlow-a-proposal-for-a-new-approach-to-africa-debt/

Chakunda, V (2020). Impact of Public Debt on Service Delivery in Local Authorities, ZIMCODD. http://zimcodd.org/wp-content/uploads/2020/12/Impact-of-Public-Debt-on-Service-Delivery-in-Local-Authorities.pdf

Chilufiya, Charles (2022). SDRs Are Not a Magic Wand! Put Them to Good Use.https://www.jenaafrica.org/index.php/2022/03/10/sdrs-are-not-a-magic-wand-put-them-to-good-use/?utm_source=rss&utm_medium=rss&utm_campaign=sdrs-are-not-a-magic-wand-put-them-to-good-use

Dube, C. (2019). Main Bottlenecks at the Local Authority Level that could pose challenges for growth and development, ZEPARU. http://www.zeparu.co.zw/sites/default/files/2020-06/Bottlenecks%20at%20the%20local%20authority%20level%20final.pdf

Finance News, (20 July 2022). HOW ZIMBABWE PLANS TO SPEND IMF-SDR FUNDShttps://www.globaldiasporanews.com/how-zimbabwe-plans-to-spend-imf-sdr-funds/

IMF (2022). IMF Staff Report for the 2022 Article IV Consultations, Zimbabwe, March 2, 2022. file:///C:/Users/User/Downloads/1ZWEEA2022003.pdf

Koniji, P. (2014). Chinese Resource for Infrastructure Swaps: An Escape from the Resource Curse. file:///C:/Users/User/Downloads/saia_sop_201_konijn_20141020%20(1).pdf

Maketo, J.P. &Chirisa, I. (in press). Debt Management Ethic in the Public Sector of Zimbabwe: Case of Local Authorities.

Mosha, A.C. (2004). Challenges of Municipal Finance in Africa: Gaborone City, Botswana. https://fig.net/news/archive/news_2004/wuf/mosha_barcelona_09_2004.pdf

Muzapu, Rangarirai (2016). Managing State-Owned Enterprises (SOEs) and Parastatals in Zimbabwe: Human Resource Management Challenges-Drawing Lesson from the Chinese Experience, DOI: 10.5923/J.MM.20160604.01

Ng' ambi, Sangwani, P (2021). Sovereign Debt Restructuring in Zambia: A United Nations Principles-Based Approach. https://www.pulp.up.ac.za/edocman/edited_collections/sadc_book/2021%20SADC%20Debt%20Chapter%2011.pdf

Pindula News (2 December 2021). Zimbabwe Not Eligible for Debt Relief Until After Pay World Bank Debt-IMF. www.thezimbabwean.co/2021/12/zimbabwe-not-eligible-for-debt Relief-until-after-pay-world-bank-debt/

UN-HABITAT (2015). The challenge of Local Government Financing in Developing Countries. https://sustainabledevelopment.un.org/content/documents/1732The%20Challenge%20of%20Local%20Government%20Financing%20in%20Developing%20Countries%20_3.pdf

USAID (2022). Debt Transparency Monitor. https://pdf.usaid.gov/pdf_docs/PA00Z727.pdf

ZEPARU (2019). Exploring the Key Success Factors in Implementing Devolution in Zimbabwe. www.zeparu.co.zw

Zhou, Gideon & Chilunjika, Alouis (2013). The Challenge of Self-Financing in Local Authorities: The Case of Zimbabwe, International Journal of Humanities and Social Sciences, Vol.3 No.11

Zimbabwean, (29 September, 2019). Zimbabwe: Government Hires Another PR Firm to Face-Lift Battered Image. www. thezimbabwean.co.zw

Zimbabwe Independent (March, 18 2022). Debt assumption fuelling corruption, Zimbabwe Independent. https://www.newsday.co.zw/theindependent/2022/03/18/debt-assumption-fuelling-corruption

Zimbabwe Independent , 'Zimbabwe needs to monitor its Borrowings' (14 October 2022); On 21 March 2022, the IMF projected that Zimbabwe's consolidated public debt stands at US$19.03 billion.

ZIMCODD (2021). The Bane of Resource-Backed Loans and their implications to Debt Sustainability in Zimbabwe, ZIMCODD, Harare. http://zimcodd.org/wp-content/uploads/2021/02/The-Bane-of-Resource-Backed-Loans-Implications-for-Debt-Sustainability.pdf

ZIMCODD (2022). The Pomona Deal: A Case of Impunity and Illegitimate Debt Assumption. https://zimcodd.org/sdm_downloads/the-pomona-deal-a-case-of-impunity-and-illegitimate-debt-assumption/

Government Publications
Arrears Clearance, Debt Relief and Debt Restructuring Strategy. www.zimtreatury.gov.zw
2021 Annual Public Debt Management Bulletin, 2021. www.zimtreatury.gov.zw

2022 Budgetary Statements. www.zimtreatury.gov.zw

Mid-Term Budget Review Statement 2022. www.zimtreatury.gov.zw

The 2022 Mid-Term Budget and Economic Review and Supplement Budget, 28 July 2022. https://www.veritaszim.net/node/5826

Previous Annual Reports

AFRODADZIMCODD (2021). Annual Debt Management Report for Zimbabwe 2021. https://zimcodd.org/sdm_downloads/2021-annual-debt-management-report-for-zimbabwe/

AFRODADZIMCODD (2020). Annual Debt Management Report for Zimbabwe 2020. https://afrodad.org/portfolio/annual-debt-management-report-for-zimbabwe-2020-2/

AFRODADZIMCODD (2019). Annual Debt Management Report for Zimbabwe 2019. https://afrodad.org/portfolio/annual-debt-management-report-for-zimbabwe-2019-2/

Dr Gorden Moyo is the Director of the Public Policy and Research Institute of Zimbabwe (PPRIZ) and Senior Lecturer in the Faculty of Social Sciences and Humanities, Lupane State University, Zimbabwe. He is an expert in Global Finance, Global South Economies & African Agency.

African Forum and Network on Debt and Development
31 Atkinson Drive, Hillside
PO Box CY1517, Causeway
Harare, Zimbabwe
Tel: +263 242 778531/6
Fax: +263 242 747878
Website: www.afrodad.org

In Partneship With Zimcodd