# PROCEEDINGS REPORT OF THE 4<sup>TH</sup> EDITION OF THE ZIMBABWE DEBT CONFERENCE

Theme: "Leveraging Public Finance and Debt Reforms for Sustainable Economic Growth and Inclusive Development in Zimbabwe".













### **ACRONYMS**

AfDB African Development Bank

AFRODAD African Forum & Network on Debt & Development

APNAC African Parliamentary Network Against Corruption

APNIFT African Parliamentary Network on Illicit Financial Flows & Taxation

ATAX African Tax Administration Forum

BEAM Basic Education Assistance Module

BIPPA Bilateral Investment Promotion and Protection Agreement

**EU** European Union

**GDP** Gross Domestic Product

GIZ German Development Agency
HIPC Heavily Indebted Poor Countries

IMF International Monetary Fund

LAS Local Authorities

Labour & Economic Development Research Institute of Zimbabwe

MoFED Ministry of Finance and Economic Development

MNCs Multinational Companies

NDS 1 National Development Strategy 1NPA National Prosecuting AuthorityNRZ National Railways of Zimbabwe

**NUST** National University of Science & Technology

**OECD** Organisation for Economic Cooperation and Development

**OPC** Office of the President and Cabinet

POLAD Political Actors Dialogue

**PPPs** Public Private Partnerships

PPRZ Public Policy Research Institute of Zimbabwe

**PVO** Private Voluntary Organization

**PWDs** People with Disabilities

**RBZ** Reserve Bank of Zimbabwe

SADC Southern Africa Development Community

SAPSN Southern Africa People's Solidarity Network

SDGs Sustainable Development Goals

SDRs Special Drawing Rights

**SOEs** State Owned Enterprises

**UCAZ** Urban Councils Association of Zimbabwe

**UKAID** United Kingdom Aid

**UNCTAD** United Nations Conference on Trade and Development

**UN** United Nations

**US\$** United States Dollar

**ZBC** Zimbabwe Broadcasting Corporation

**ZEC** Zimbabwe Electoral Commission

**ZELA** Zimbabwe Environmental Law Association

**ZESA** Zimbabwe Electricity Supply Authority

ZIDA Zimbabwe Investment and Development Agency

ZIDERA Zimbabwe Democracy and Economic Recovery Act

**ZIMCODD** Zimbabwe Coalition on Debt & Development

ZIMRA Zimbabwe Revenue Authority

**ZW\$** Zimbabwe Dollar

**ZWRCN** Zimbabwe Women's Resource Centre and Network

**ZYWNP** Zimbabwe Young Women's Network on Peacebuilding

### **CONTENTS**

ACRONYMS 2					
1.	INTRODUCTION				
2.	DAY 1: 12 OCTOBER 2022				
	2.1	Session 1: Opening Session6			
		2.1.1 Welcome Remarks by Janet Zhou, Executive Director ZIMCODD	6		
		2.1.2 Welcome Remarks by Tirivangani Mutazu, Senior Policy Analyst at AFRODAD)	7		
		2.1.3 Opening Remarks – Hon. Dr. Matthew Nyashanu, Chairperson of			
		Parliament Portfolio Committee on Budget, Finance and Economic Development	8		
	2.2	Solidarity Messages	8		
		2.2.1 Solidarity Message by Hugo Knoppert, Zimbabwe Europe Network (ZEN	8		
		2.2.2 Solidarity Message from Ambassador Priscillah Misihairambwi-Mushonga	8		
		2.2.3 Solidarity Message by Dr Phineas Kadenge on behalf of Dr Godfrey Kanyenze,			
		Executive Director LEDRIZ	9		
		2.2.4 Solidarity Message by Bertha Phiri, Executive Director Malawi			
		Economic Justice Network (MEJN)	9		
		2.2.5 Solidarity Message by Gershom Kabaso, a Member of Zambia Social Forum	10		
	2.3	Session 2: Presentation on 2022 Annual Debt Management Report for			
		Zimbabwe – Dr Gorden Moyo	10		
		2.3.1 Panel Discussion:	12		
		2.3.2 Plenary discussions	13		
	2.4	Session 4: International Re-engagement Efforts and Impact on Arrears			
		Clearance and Development in Zimbabwe	14		
		2.4.1 Plenary Session	15		
	2.5	Session 5: Risks and Opportunities for PPP Financed Projects by			
		Dr Innocent Bayai – Development Finance Consultant	16		
		2.5.1 Panel Submissions	18		



3.0	DAY 2- 13 OCTOBER 2022			
	3.1	Recap Session for Day 1	18	
	3.2	Session 2: Stewardship of Public Resources, Debt Management and Posterity.		
		A Theological Perspective by Reverend Sikhalo Cele		
		(Zimbabwe Council of Churches) Ref to Psalm 82 vs 3; Prov 29 vs 2	19	
	3.3	Keynote address- Honourable Deputy Minister of Finance and Economic		
		Development, Clemence Chiduwa	20	
		3.3.1 Plenary Session	21	
	3.4	Session 7: Feminist Perspective on Debt and Development		
		by Grace Ruvimbo Chirenje (Zimbabwe Young Women for Peacebuilding Network)	22	
		3.4.1 Panel discussion	23	
		3.4.2 Plenary Discussion	25	
	3.5	Session 6: Debt and Corruption Nexus in Zimbabwe Panel Discussion	25	
		3.5.1 Plenary Session	28	
	3.6	Session 8: Devolution and Intergovernmental Fiscal Transfers:		
		Policy and Implementation Modalities Reality Check Panel Discussion	29	
		3.6.1 Plenary Session	31	
4.0	DAY 3		33	
	4.1	Session 9: Regional Experiences on Transparency and Accountability in		
		Managing Development Financing including SDRs by Tafadzwa Chikumbu	33	
		4.1.1 Panel Responses	34	
		4.1.2 Plenary Session	34	
	4.2	APNIFT-African Parliamentary Network on Illicit Financial Flows		
		and Taxation by Honourable James Chidakwa	35	
	4.3	Session 10: Debt Transparency Advocacy Initiatives:		
		Lessons from the Region and Beyond by Rangarirai Chikova	36	
	4.3	Session 11; Domestic Resource Mobilization and Debt		
		sustainability in Zimbabwe by John Maketo, Programs Manager ZIMCODD	37	
		4.3.1 Panel Responses	38	
	Adoption of Conference Communique - ZIMCODD 39			
5.0	CLOS	CLOSING REMARKS - AFRODAD 40		





### 1.0 INTRODUCTION

The 4th edition of the Zimbabwe Debt Conference was convened by Zimbabwe Coalition on Debt and Development (ZIMCODD) in partnership with African Forum and Network on Debt and Development (AFRODAD) and under the theme 'Leveraging Public Finance and Debt Reforms for Sustainable Economic Growth and Inclusive Development in Zimbabwe'. Its main aim was to facilitate robust and inclusive discussions on Public Finance Management (PFM) and debt with a view to ensure the unhindered implementation of the National Development Strategy 1 (NDS1) (2021-2025) and attainment of Vision 2030 -Zimbabwe aspirations of becoming an Upper-Middle-Income Country by year 2030.

The conference was attended by 80 physical participants and over 30 online participants on Zoom and Facebook. The conference participants comprised of government, parliament, media, academia and civil society. The conference was widely publicised in the newspapers and social media<sup>1</sup>

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### 2.0 DAY 1: 12 OCTOBER 2022

#### 2.1 SESSION 1: OPENING SESSION

### 2.1.1 Welcome Remarks by Janet Zhou, Executive Director ZIMCODD

Janet Zhou welcomed delegates to the 4th edition of the Zimbabwe Debt Conference at a time when citizens had managed to adjust to the COVID-19 realities. She stated that the 4th edition of the debt conference was being hosted to deliberate on key issues in public finance and public debt issues. She went on to state that since the inception of the debt conference, civil society leaders hoped to continue charting the way forward to ensure successful implementation of NDS1 and Vision 2030 outlined by the Zimbabwean government to address the debt issue.

She stated that for the past three (3) years, the Zimbabwe Debt Conference had achieved tangible results. These include the following:

- During the 2022 budget statement presentation, the Minister of Finance and Economic Development for the first time presented a comprehensive report on the country's public debt.
- In 2020, the Minister of Finance and Economic Development provided a report on public debt to parliament though it was not made public. In 2021 the Minister provided a comprehensive to parliament and made it public.
- For the first time, the Minister of Finance brought the US35.7 million Loan Agreement between the International Fund for Agriculture Development and Government of Zimbabwe for ratification as required in terms of Section 327(3) of the Constitution of Zimbabwe. This is a positive development in line with our recommendations in Annual Debt Management Reports.
- The government also continues to publish borrowing plans which provides predictability to the market and also the regular publication of annual debt bulletins which is keeping citizens informed of the debt management trends.

Mrs Zhou recommended the following which would need to be considered during the conference:

- The need for parliamentary structures to be strengthened in order for them to play their oversight role in managing the debt crisis, which remains huge and above the SADC threshold, which continue to impact on the government's inability to provide public services.
- The need for government to take into account the impact of the debt crisis on women and girls given the lack of financing public services which they highly depend on given their reproductive roles.

She concluded by encouraging participants to identify solutions to the debt question, within a context where the World Bank and IMF were also convening their Annual Spring Meetings. She went on to state that ZIMCODD and AFRODAD would continue standing in solidarity with social movements who continue advocating for debt justice under the banner of the Global Week of Action for Debt Justice. Mrs. Zhou encouraged citizens to come up with a common approach to address the public debt and looked forward to a fruitful discussion and deliberation during the conference.

### 2.1.2 Welcome Remarks by Tirivangani Mutazu, Senior Policy Analyst at AFRODAD)



Mr. Mutazu stated that the AFRODAD remained grateful to host this conference together with ZIMCODD to chart the way forward and ensure implementation of NDS 1 and Vision 2023. He stated that the 2022 Zimbabwe Debt Conference was being hosted in a hybrid The Conference was convened at a time when Zimbabwe's debt situation had been worsened by COVID-19, coupled with the ongoing conflict between Ukraine and Russia, increased leakages in public spending, as well as the impact of climate change.

2.1.3 Opening Remarks – Hon. Dr. Matthew Nyashanu, Chairperson of Parliament Portfolio Committee on Budget, Finance and Economic Development

Honourable Nyashanu stated that the role of parliament was to provide an oversight role in debt management and management of public resources. He stated that section 117 of the Constitution empowered the Parliament to effectively play its constitutional role in as far as public resource management and loan contraction is concerned. He stated that the Parliament had a duty to ensure that citizens would receive accurate information in as far as debt is concerned. Honourable Nyashanu also noted that the parliament hoped that the conference would come up with key resolutions on debt restructuring so that citizens continue to receive the public services they need. He commended strategic partners such as AfDB who have continued supporting the Parliament in seeking ways to clear debt.



#### 2.2 SOLIDARITY MESSAGES

### 2.2.1 Solidarity Message by Hugo Knoppert, Zimbabwe Europe Network (ZEN)

The representative from ZEN noted that the institution had worked with ZIMCODD on the debt question for the past two decades and wished the participants the best in the deliberations

### 2.2.2 Solidarity Message from Ambassador Priscillah Misihairambwi-Mushonga

Ambassador Misihairambwi-Mushonga commended ZIMCODD and AFRODAD in co-hosting the 2022 Zimbabwe Debt Conference and encouraged delegates to reflect on fundamental issues on debt. She stated that as of October 2021, there had been a shift in geopolitics, thus the key concern is the need for African civil society and governments to adjust their narrative in relation to these changes in geopolitics.

She stated that the current Ukraine-Russian war coupled with the realities of climate change would force the global north to reorganize its priorities leaving African countries in the periphery as far as development aid is concerned. Ambassador Misihairambwi-Mushonga also noted that Zimbabwe's relationship with the international financial institutions had not been positive, coupled with dwindling aid trickling to local civil society organizations amidst the state of public services that need aid. Hence the shift in global north priorities would force African states to borrow so that they could cover the gaps, especially in providing social services.

Ambassador Mushonga encouraged civil society organizations to become engaging with their counterparts at sub regional and continental level so that they can collectively seek ways in addressing the debt crisis. She recommended the Parliament to build bridges across borders to curb illicit financial flows. She stated that the Parliament would need to be vigilant around carbon trading where the government has been selling national forests to private capital. Thus, the Parliament was encouraged to develop a legal framework that will regulate carbon trading. Ambassador Mushonga concluded by encouraging delegates to continue holding the capital in the global north accountable and begin to ask the relevant questions to safeguard natural resources for present and future generations.

### 2.2.3 Solidarity Message by Dr Phineas Kadenge on behalf of Dr Godfrey Kanyenze, Executive Director LEDRIZ

Dr. Kanyenze congratulated ZIMCODD and AFRODAD for continuing to advocate for public finance for sustainable development in Zimbabwe. He noted that the country's profile depicts the state in which Zimbabwean citizens are striving to make ends meet

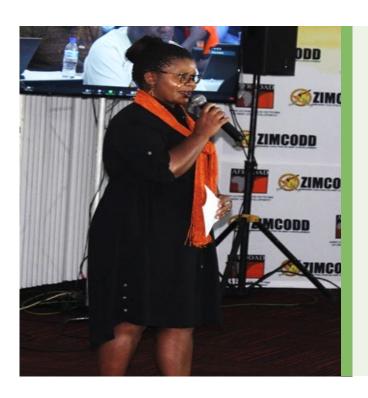
- The increasing debt stock which stands at US\$17.9 billion is way above the 60% GDP benchmark set by SADC.
- High levels of public indebtedness co exists with high levels of unemployment, inequality, and poverty.
- Increased youth unemployment rate at 36.6% (2.3 million youths not in employment, education, or training).

Dr Kanyenze highlighted that public borrowing should be done to finance economic growth and deliver necessities, and the capacity to generate revenue, thus the need to develop a debt strategy that is development oriented. The 2011 AfDB Report showed that the state of infrastructure in Zimbabwe is increasingly deteriorating, especially power, water, and sanitation as well as transport, which is in dire need of reconstruction.

### Dr Kanyenze proposed that the conference would need to address the following areas:

- Enhanced investment in infrastructure which has ripple benefits, key enabler of economic integration and contributes to poverty reduction.
- Proposal for sustainable debt relief and debt restructuring strategies aimed at restoring debt sustainability.
- Strengthening citizens' position which will be inputted into the upcoming high level debt restructuring forum in order to build consensus in resolving external debt and arrears clearance.

### 2.2.4 Solidarity Message by Bertha Phiri, Executive Director Malawi Economic Justice Network (MEJN)



Bertha Phiri began by stating that MEJN subscribed to the agenda to be discussed during this conference, since in Malawi they continued to face challenges in loan contraction and debt management coupled with the COVID-19 realities as well as debt repayment challenges. The representative noted that Malawi owed US\$3.64 billion to its external creditors and the country continued to face economic challenges, forcing it to borrow for consumption purposes. There was need for debt transparency to be promoted by policy makers in the Southern African region.

### 2.2.5 Solidarity Message by Gershom Kabaso, a Member of Zambia Social Forum

Mr. Gershom Kabaso noted that citizens could not attain power if countries continue to accrue debt. He further remarked on the need for citizens to uphold social justice principles including advocating for access to information to be implemented according to the national Constitution. Whilst public debt continues to be contracted in secret, it was important for citizens to reclaim their fair share of public resources. He concluded by encouraging civil society organizations to mobilize, strategize and reconnect to speak with one voice.



### 2.3 SESSION 2: PRESENTATION ON 2022 ANNUAL DEBT MANAGEMENT REPORT FOR ZIMBABWE – DR GORDEN MOYO



Dr. Moyo indicated that whilst the debt problem remained a global problem, many African countries continued to find themselves in a worse situation due to the historical context. He went on to highlight key issues in understanding the debt landscape in Zimbabwe. The presentation highlighted that it is difficult to assess the amount of debt owed by various government institutions. With reference to the July 28th report presented in Parliament by the Ministry of Finance, the sovereign debt was approximately US\$13.2 billion and domestic debt was valued at ZW\$1.3 trillion. Calculations and estimations by various credible organisations such as the IMF, noted that the external debt stood at approximately US\$17 billion which is different from official government records.

Dr Moyo also noted that the government started servicing its debt by paying tokens to creditors amounting to US\$59million at a time when the nation was struggling to raise funds for COVID-19. He further indicated that the government in recent years is availing more although it is less disaggregated. It is also commendable that the government came up borrowing plans and calendar for 2022 and borrowing strategy, of which these instruments are important for debt analysis. In a bid to restructure the debt, the government appointed a Debt Champion to lead the debt structuring process, in the person of the President of AfDB, Dr Adesina was a right choice given his vast experience of the African context and his stance on Pan Africanism, coupled with his charisma, stamina and aura at continental and global level. However, the presentation noted the need for the debt restructuring process to be inclusive as was the case of Zambia.

#### In his presentation he raised the following concerns:

- lack of implementation of debt policies by the government as these policies have not been followed up by relevant institutions, hence the country continues borrowing. The team also noted that the 2017-2021 debt management strategy had expired with little implementation that had taken place.
- The government had continued to create debts due to the failure of the forex auction system.
- Government loans to farmers are worrisome due to low level of recovery especially for maize. This may end up being paid by all citizens when it benefitted specific individuals.
- Individuals in strategic government offices would not divulge the information on debt due to the fear of being victimized by their employer.
- It is still unclear on the amount of SDRs that have been used and whether they have been used according to plan.

- Zimbabwe still has debts contracted by the Executive without the knowledge of Parliament, especially in relation to resource-based loans. This would explain why the official external debt figure of U\$\$13,2 billion is questionable because the value of the resource backed loans have not been factored in the official data.
- Poor oversight of parastatals and local authorities for instance the ZBC, Civil Aviation of Zimbabwe, NRZ, Air Zimbabwe are some of the parastatals that had not been performing and the debts that they accrued are in the process of being assumed by the government.

### The presentation recommended the following:

- On Debt Clearance Strategy, the government would need to show clarity on whether they are adopting
  the HIPC route or a hybrid strategy. Zambian case study was cited by the consultant as IMF and World
  Bank had pledged funds to the Zambian government towards formulation and implementation of its
  debt clearance strategy
- The government would also need to be clear in dealing with debt restructuring in the context where Zimbabwe has outstanding re-engagement processes under ZIDERA
- The Bills that Parliament has been churning out including the proposed PVO amendment bill, motion to introduce Patriotic bill has a bearing on the country's re-engagement strategy with the international community which have a negative implication with regards to the shrinking of civic space. Hence the debt restructuring process could not be divorced from the political and diplomatic track.
- A public debt audit is needed
- The government was also recommended to develop strategies on its re-engagement with the Commonwealth though the process would need to be genuine.
- The government to prioritize stakeholder engagement in the debt restructuring process by adhering to international standards- where human rights are at the forefront of the processes.

#### 2.3.1 Panel Discussion



#### **RESPONDENTS**

### HON. DR. MATHEW NYASHANU – CHAIR OF PARLIAMENT PORTFOLIO COMMITTEE ON BUDGET, FINANCE AND ECONOMIC DEVELOPMENT

Hon Nyashanu highlighted the following:

- The Debt Conference has been convened at the right time, as the Parliament in the upcoming 5<sup>th</sup> session, will convene a session on public debt.
- There is consensus that debt is a source of development finance, but high debt levels have contributed to the impoverishment of society, yet debts are being contracted without knowledge of parliament
- There is a need to acknowledge the government's efforts to assist vulnerable groups, but communities should not expect to receive agricultural inputs for free as this has resulted in the ballooning of debt.
- Debt transparency is fundamental hence the government has shown its commitment to address the debt crisis through establishing a debt office in the Ministry of Finance, but it's also important to note that as parliament, there is a need to promote the independence of the debt office for transparency purposes.
- Government's priority should be centred in saving lives especially within the context of Covid-19 or natural disasters such as Cyclone Idai as it remains unethical prioritise repaying debts during such times.
- There is need for the Ministry of Finance to provide disaggregated data. The reports from SDRs should be adequate to allow Parliament to take action.
- There is no clarity on whether the SDRs have been expended, though the Minister of Finance stated that the SDRs would not be used at once, as they cover the period 2021 to 2023. The parliamentary committee would need to get the full facts in relation to the utilization of the SDR funds.
- The parliamentary committee concurs with the findings from the report in relation to the need for government to address governance deficiencies in SOEs and LAs.



### DR NICHOLAS MASIYANDIMA, CHIEF ECONOMIST ECONOMIC RESEARCH AND POLICY AT RBZ Dr Masiyandima highlighted the following:

- He went on to state that every institution survived through borrowing. He also noted that each country had a debt leverage, where borrowing would take place in order to create profits, employment opportunities. But the bottom line is on the need to show transparency on the purposes of borrowing the funds.
- The individuals who make decisions on public debt will need to be prudent, diligent, and transparent and above all, there is a need to borrow productively.
- He stated that the government had been developing reports that detailed the debt borrowing strategy
  and outlined transparency and accountability in the past borrowing of funds. He also stated that
  individuals and other institutions had been reducing public debt reports providing insights on debts.
  Hence the need to enforce accountability in public resources.
- The issue of blocked funds was yet to be resolved given the transition from the Zimbabwe dollar to the United States dollar in 2019. There were critical services that were affected, especially suppliers of fuel, drugs, civil aviation authority, services which the country could not obtain if it did not have access to the blocked funds.

### DR PHINEAS KADENGE, SENIOR LECTURER UNIVERSITY OF ZIMBABWE Dr Kadenge made the following submissions:

- he raised concerns on the current state of affairs in the country where the government continued to assume debts of non-performing state enterprises and parastatals.
- The discrepancy in relation to the debt stock and the GDP leaves a lot to be desired and the conference agreed that the debt contracted is unsustainable as the government has contracted publicly guaranteed loans, and guaranteed loans for private persons.
- The farm mechanization program highlighted misgovernance within the government and lack of transparency as the RBZ was not able to disclose the names of the beneficiaries. This gave an impression to those mismanaging that they can continue doing so, because the governance issues are not being looked at.
- The lack of transparency (including non-disclosure clauses in the loans contracted) in the amount of debt accrued by the government with the new lenders such as China, Belarus on board, non-discourse clauses, makes it difficult to ascertain the quantum of the debt, leading to challenges in the restructuring of the debt.
- The government should be seen to put more effort in policy implementation beyond rhetoric including the need to allow the RBZ to play its constitutional role and not take the role of managing the fiscal policy
- A cause for concern in relation to the upcoming 2023 elections which will force the government to borrow, hence there is need for stakeholders to monitor this tendency
- The government would need to make efforts in addressing Governance reforms in its bid to re-engage with the international financial institutions
- With regards to the upcoming High level Debt Forum, the government would need to ensure that political will to turn around the indebtedness is attained.



### 2.3.2 Plenary discussions

### The following issues emerged from the discussion:

- An external loans committee which includes technocrats and representatives from RBZ, and Ministry of Finance ensures that when any external loan is contracted, a rigorous process for appraisal is done.
- With reference to parastatals, the bottom line should be the management of the borrowed funds where the funds should be channelled to productivity, so that debt repays itself.
- There is need for civil society to look at the debt question as a 2023 election issue. The Kenyan context after the 2022 elections showed that the government reversed its stance on addressing public debt as the incoming government went on to accrue more debts against what was promised during the electoral campaigns.
- Parastatal reform needs to be addressed as they remain not only a source of redundant debt but also conduits of odious debts.
- There is a need to broaden the discussion on debt sustainability by engaging citizens in order to solicit their views, especially women, youth and people with disabilities.
- Citizens would need to have information on the exact figures of SDRs that have been expended, thus relevant Parliamentary portfolio committees would need to engage the Ministry of Finance and put them to task.
- An enquiry on the absence of disaggregated data signalled the state of institutions which would not bring the solutions to the crisis at hand. There is need for political will from government to bring practical solutions to address the crisis.
- There is need for a clear government strategy with regards to dealing with insolvent state-owned enterprises.
- Citizens that benefited from the Farm Mechanization program would need to come up with a payment plan in paying the debt, honour their responsibilities at individual level and as legislators and government technocrats.
- RBZ need to adhere to its mandate given its previous involvement in the quasi-fiscal activity from 2008 to 2009. The concept of the independence of the central bank is theoretical but what is important is the degree to which a central bank is independent. The Central Bank needs to adhere to its mandate, which is price stability, exchange rate stability, inflation, monetary policy.
- Parliament needs to expedite the public finance management bill to deal with loan contraction processes especially in the resource-based loans.
- There is need for political will to address the findings from the auditor general's report including cases where payments were being done by RBZ outside the knowledge of the Ministry of Agriculture in relation to the farm mechanization program.



### 2.4 SESSION 4: INTERNATIONAL RE-ENGAGEMENT EFFORTS AND IMPACT ON ARREARS CLEARANCE AND DEVELOPMENT IN ZIMBABWE



### **RESPONDENTS**

#### Hon. Madodana Sibanda

## (Representing Chair of Portfolio Committee on Foreign Affairs and International Trade) Hon Sibanda highlighted the following points:

- Re-engagement efforts are going to be guided by the country's foreign policy which is also articulated in the National Development Strategy (NDS) 1
- The 2nd Republic has been improving its relations between itself and other countries
- ZIDERA still affects the country's ability to receive the much-needed aid

### Dr Felistas Zimano - International Relations Expert, University of Zimbabwe Dr Zimano highlighted the following issues:

- The purpose of enforcing sanctions is to incapacitate the governance system and in the case of Zimbabwe, sanctions have led to the government's inability to finance its development
- The re engagement agenda is hinged on the ZIDERA framework. There is need to appreciate the context in which sanctions were enforced on Zimbabwe, with reference to the impact of ESAP on the government's inability to support public spending on social services. This led to the government implementing the land reform to appease the demands of the war veterans, leading to disengagement from the Commonwealth
- The reasons why the government decided to pull out of the Commonwealth also shows the personality traits of the late former President of Zimbabwe, RG Mugabe. Thus, the need for political leaders to tone down the concept of sovereignty is important.
- Implications of being excluded from the international community have contributed indirectly to the growing public debt.



- There is a need to ascertain why debt arrears have continued to increase. Factors including lack of financial discipline and lack of repayment capacity- due to misplaced priorities have also contributed to increased debt arrears
- The government would need to address its governance issues to have the sanctions lifted. The initial step is for the government to define its re-engagement strategy to address debt arrears.

### 2.4.1 Plenary Session

### The following issues emerged during the plenary session:

- An Executive decision was made by Zimbabwean government to leave the Commonwealth and Parliament also participated by voting.
- There has been a lot of rhetoric around re-engagement, hence there is need to be clear on whom the government is re-engaging with a clearly defined process and objectives.
- There is need for political will to address outstanding reforms for Zimbabwe to start re engaging with the international community. Unfortunately, the pending debate on the Patriotic Bill and PVO Amendment Bill makes it difficult for the country to progress on governance reforms.
- The government had proposed to engage with the UK to address the sanctions matter
- There is limited literature on the role of parliament in approving the Look East Policy and pulling out of the Commonwealth.
- Parliament was partly by default agreed with the decision regarding Commonwealth even though parliament plays an oversight role.
- It was noted that sanctions are good in the international system, as they come in in to ensure compliance as an instrument of foreign policy (with reference to Ian Smith era where sanctions were put in place by the international community in protest the white minority rule in the then Rhodesia (Zimbabwe).
- Other participants noted that sanctions have been used to ensure that US hegemony remains intact.



# 2.5 SESSION 5: RISKS AND OPPORTUNITIES FOR PPP FINANCED PROJECTS BY DR INNOCENT BAYAI – DEVELOPMENT FINANCE CONSULTANT

### The presentation highlighted the following:

- Developing countries require \$3.3-\$4.5 trillion per year to develop basic infrastructure, address climate change & match health and education SDGs.
- \$370 billion and \$265 billion is required per year to meet health SDGs and end hunger.
- The list of PPP projects that have been financed by multilateral agencies and governments would include roads, bridges, tunnels, ports(sea/air), railway systems, power generation systems, telecommunication networks, hospitals among others.

### RISKS AND OPPORTUNITIES CASE OF KARIBA SOUTH HYDROELECTRIC POWER GENERATION PROJECT

### Below are the risks and the opportunities associated with the project:

OPPORTUNITIES	RISKS
Loan tenure matched with NamPower PPA NamPower & ZETDC PPAs reduced the project risk Low cost, efficient technology in power generation - cheap and sustainable energy	Rigid PPP Contract - success pinned on Contractor.
PPP – upgrading power infrastructure despite a tight fiscal space KSEP – clean, reliable, sustainable & modern power = SDG 7 Empowerment of women Supportive of NDS1 aspirations (industry, mining, etc) Environmentally friendly Electricity generation led to the adoption of tech in the economy	Cost-effectiveness and risk sharing behaviour Contractor (Sino-Hydro) - raised funding (China Exim Bank) & EPC  ZPC provided 10% 'borrowed' equity!  Government guaranteed ZPC loans = Debt Assumption!  Currency risk  Lack of in-house PPP consultants (experts) - \$15 million.  Examples included the following  Hatch Africa (Technical advisor)  KPMG (Financial advisor)  Norton Rose Fulbright (Legal)  Contractor & main financier — Chinese, side-lining locals!  -Universal access breached (cost)  -KSEP did not extinguish the power shortages
<ul> <li>ESIA was done by EMA</li> <li>No evidence of how resources were deployed</li> <li>Resettlement effected</li> <li>US\$4.4m paid to Parks &amp; Wildlife Management Authority</li> <li>Reliable, efficient &amp; emission free</li> <li>Renewable energy</li> </ul>	<ul> <li>Impact on democratic governance</li> <li>KSEP was not discussed in Parliament – transparency, accountability, optimum resource use etc</li> <li>No granular info on KSEP made public (opaque mega deals)</li> <li>Rent-seeking, cronyism, &amp; questionable tendering processes</li> <li>KSEP did not pass through PRAZ as required</li> <li>Alleged project cost inflation Herald -533m, IBDZ – 508m, Ex Fin Minister 355m!</li> </ul>

### In conclusion Dr Bayai recommended the following:

- There is need to invest in alternative renewable sources (wind, solar, etc.), even though Zimbabwe still relies on coal production as a source of energy.
- Other infrastructure development alternatives would need to be considered.
- There is need to acknowledge that PPPs favor the private sector.
- Governments would need to consider cheaper financing from DFIs such as AfDB, MDBs and the WB as well as consider dominant equity financing and less of debt financing. Full financing would need to be explored.
- PPPs would remain important as they mitigate scarce resources. However, the following needs to be considered: reduce contractor's unfair risk sharing advantage (split EPC).
- hybrid financing reduce share of commercial loans, increase equity; consider concessional financing
   DFIs; Address currency risk; match loan tenure to PPA; promote the developmental impact of the PPA;
   and internalize PPP expertise.



#### 2.5.1 Panel Submissions

### Mr. Pepukai Chivore – Director Parliament Budget Office Mr Chivore highlighted the following in his submission:

- PPPS are binding and long term. These PPPS have elements of uncertainty of future outcomes as they are long term.
- Successes hinges on the ability to balance the risk and transfer the risk on the partner that is able to minimize the risks
- They were popularized in 1998; e.g., one of the PPP financed projects include the Plumtree- Mutare Highway, Bulawayo-Beitbridge and the Newlands Roundabout
- Why having low uptake of PPPs by the government. The key challenge in Zimbabwe has to do with the poor policy and legal framework in relation to property rights
- South Africa has a PPP within the Ministry of Finance and in Zimbabwe we have a PPP unit regulated by the ZIDA Act where it is housed under the Office of the President
- Challenge relating to PPP has to do with procurement of materials which should be done from outside Zimbabwe where the loan was contracted.

## Honourable Edwin Mushoriwa, Member of Public Accounts Committee Honourable Mushoriwa submitted the following:

- ZIDA is supposed to lead in facilitating PPPs. The challenge we have is related to the question of negotiation skills whether we have competent experts that can negotiate the contracts, which in most cases, have left Zimbabwe in a delicate situation.
- Key challenges include:
  - Cabinet directive which tends to usurp the powers that other departments that are supposed to exercise. For instance, the current Pomona project
  - The other challenge is our failure to define PPPs as a country. For example, ZINARA case, where it got into a contract with a private company to upgrade its system
  - Failure to pay attention to detail. There is need to deal with governance and transparency issues and rain our negotiators



### 3.0 DAY 2: 13 OCTOBER 2022

#### 3.1 RECAP SESSION FOR DAY 1

#### Fambai Ngirande highlighted the following key issues that emerged from day one deliberations:

- The need to contain debt at sustainable levels. Debt can be healthy, but the challenge is when we maintain unproductive debt.
- The need to have disaggregated data on public debt and SDRs.
- Receivership mentality among citizens need to change especially agriculture inputs which end up increasing the national debt.
- The need to develop new priorities due to global interests and build alliances across borders
- Parastatals are supposed to be contributing 40% but in recent years they drain the fiscus and add more debt burden to citizens through debt assumptions by central government.
- The country's real debt burden is not clear hence there is need for a debt audit.
- There is need to have a clear international re-engagement strategy for the country and consider reforms and addressing human rights issues.
- World bank knows better than our citizens as we are more accountable to external institutions and not accountable to the electorate charity must begin at home



3.2 SESSION 2: STEWARDSHIP
OF PUBLIC RESOURCES, DEBT
MANAGEMENT AND POSTERITY.
A THEOLOGICAL PERSPECTIVE
BY REVEREND SIKHALO CELE
(ZIMBABWE COUNCIL OF
CHURCHES) REF TO PSALM 82 VS 3;
PROV 29 VS 2

Rev Cele noted that humanity had a role to play in terms of managing the resources that God had bestowed on his people. Public resources plunder should be viewed as a sin. He went on to state that policy making had to be ethical given that some of the laws resulted in ordinary people being inflicted as such politics continued to be unethical. He encouraged participants to practice stewardship in the family, extended family, church, district, province and at national level. Delegates were encouraged to engender the sense of caring for the next generation as poor management of resources signals poor stewardship.

Rev Cele bemoaned the increased levels of corruption in the society as it has led to the deprivation of social services. He went on to state that human life remained sacred, yet the poor continue to become vulnerable to expired services, especially the health sector, due to poor management of public resources.

Rev Cele challenged delegates to treat each person with dignity including the fatherless. It was important to note how citizens have begun losing trust in their government. Public resources are meant to benefit the citizens, yet they are excluded in decision making processes which should be regarded as a sin. He noted that the current political leaders had become worse than the colonialists, yet Europe and the US continue to be regarded as rich nations due to colonialism and slave trade He reminded the participants that Zimbabwe was not a cursed nation, but its people had turned its back against God. The increased crime rates because of proliferation of small arms showed signs that future violent conflicts in Zimbabwe could erupt if the leaders failed to nip the crisis in the bud.

He went on to note that the country has an increasing debt burden that needed to be dealt with as a nation. Thus, the silence where resources had been misgoverned cannot be viewed as peace. Deuteronomical texts found in the Catholic bible (with reference to Sirah 40 vs 28) deposit the effects of begging. Yet Zimbabwe has abundant resources enough to clear the debt, yet resource-based loans already contracted have become a cause for concern.

### Key recommendations that Rev Cele proposed included the following:

- There is a need to have a forensic audit including a lifestyle audit among political leaders.
- Participants were advised to contribute to the preservation of natural resources for future generations
- Reference to how early church lived in harmony as articulated in Acts 2 should guide how citizens and its leaders should live in harmony and share the available resources in an equal manner.
- Public officials were reminded to be committed to good public resource management
- Delegates were encouraged to build a culture of respecting each other and being responsible for rectifying past mistakes
- Political leaders should ensure that the use of resources must be just and ensuring



# 3.3 KEYNOTE ADDRESS- HONOURABLE DEPUTY MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT, CLEMENCE CHIDUWA

Hon Chiduwa began by acknowledging that Zimbabwe continues to grapple with an unsustainable debt burden, which is estimated at US\$16.7 billion (61.6 per cent of GDP), as at end June 2022. Of 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, as at end June 2022. The existence of these external debt payment arrears and penalties remain an albatross to the achievement of the National Development Strategy objectives and the attainment of Vision 2030, as access to external financing to fund national projects and programmes, remains limited due to the arrears situation.

He further noted that Government remains committed to the engagement and re-engagement with the international community and creditors for debt resolution and arrears clearance as pronounced in the National Development Strategy (NDS) 1. In this regard, the Arrears Clearance, Debt Relief and Restructuring Strategy (ACDRRS) has been formulated and was approved in November 2021 by Cabinet and Parliament as part of the 2022 National Budget.

Hon Chiduwa indicated that the country will have to meet the HIPC Initiative conditions for eligibility which include reclassification of Zimbabwe as an IDA-only country; Grandfathering of Zimbabwe to the HIPC Initiative by IMF's Board; and HIPC Initiative eligibility assessment. He further indicated that use of own resources remains as another option for resolving the debt overhang. Upon the request of the Government of Zimbabwe, the President of the African Development Bank Group (AfDB), Dr A. Adesina has agreed to be Zimbabwe's champion in the implementation of the Strategy. The official visit led to discussions on potential areas of technical assistance that the African Development Bank will provide to the Zimbabwean government, including the Arrears Clearance, Debt Relief and Restructuring Strategy.

Hon Chiduwa further hinted that to contain the accumulation of debt, through the NDS1, the Government will continue to pursue fiscal consolidation through restructuring of the national budget, with priority focused on infrastructure development and social protection. Government will also pursue revenue collection enhancement measures, which include modernization of revenue collection administrative processes, to reduce revenue leakages. Resultantly, in line with the NDS1, the Government will target an annual budget deficit of 1.5%, which will limit debt accumulation through borrowing to finance budget deficits.

The Hon Deputy Minister highlighted that going forward, in order to reduce debt vulnerabilities, Government will maintain and pursue the following key policies: no recourse to central bank financing; prioritize concessional financing; no new debt assumption for State Owned Enterprises (SOEs), unless the SOEs have a bankable strategic turnaround plan; prescribing and adherence to annual borrowing plans and limits; implementation of the approved Medium Term Debt Management Strategy (2022 to 2025.

#### 3.3.1 Plenary Session

### The following issues were raised during plenary discussions:

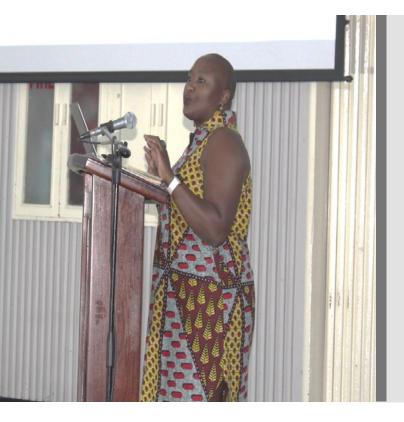
- Re-engagement process should centre on election reforms, governance and land question which has become a cause of concern coupled with the government's commemoration of the anti-sanctions day to be held on the 25th of October.
- There is need to seek clarity from the government on its state of preparedness in relation to financing the agricultural sector.
- What are government plans to minimize cases of corruption within SOEs (reference to Cottco scandal in Gokwe) where reports emerged that farmers would sell their cotton and receive groceries.
- What is the government's stance in relation to whether we go for the HIPC or Hybrid level?
- On the question of land, there is need to seek government's position on whether it is planning to compensate the white farmers.
- Zimbabwean government needs to appreciate the lessons learn from other African countries who implemented the HIPC process
- Privatization of SOEs needs to be looked into.
- There is need for clarity on how the devolution funds will be disbursed
- Young people have a generational equity in natural resources though the economic blueprint does not speak much in ring fencing resources for youth.
- NDS 1 is paternalistic, and it does not speak to how public finance generates prosperity for youth
- Can the government reconsider adopting the universal approach (Basic Income Grant) to social protection?



#### **Responses from the Deputy Minister:**

- POLAD is the platform to address political intolerance where the government has invited political actors to rectify outstanding issues.
- ZEC is also committed to work with political parties in addressing political violence. Zimbabwe was invited to the US-Africa Conference, thus showing how the relations between the US and Zimbabwe are improving
- The government is also committed to revitalize smallholder irrigation programme which is well financed. The government has also put its focus on conveyance of water to improve the irrigation system. Vision 2030 and NDS 1 encourages private sector in agricultural production with CBZ Agro and AFC as key players in financing the agricultural sector. Hence the government came up with a commodity exchange- where market forces determine the prices of commodities.
- The government continue supporting marginalized communities through its social protection programmes with reference to the Pfumvudza, BEAM, Social Welfare programmes
- Regarding whether the government should take the HIPC initiative, as treasury, the first option is HIPC, though the Debt Champion, Dr Adesina from AfDB will assist in facilitating engagement between Zimbabwean government and IMF and World Bank. If this approach fails, the government will then utilize its domestic resources.
- The loan repayments are very low under command agriculture which stand at 26% repayments. The government remains the guarantor of command agriculture. It is also the responsibility of CBZ to ensure that they collect the funds as the loan was given by CBZ. The government informed CBZ that recalling of the guarantee can only be done when they have exhausted the means to recover the funds. The CBZ would need to use every means to recover the funds.
- The government has taken a stance with regards to adopting the HIPC initiative but using a hybrid initiative. It accepts the fact that resource-based loans are no longer an option towards financing development
- Privatization of state-owned enterprises is still on the cards- it might be scandalous for us as a
  government to swell these SOEs without supporting them. it's not wise to sell assets when one is down,
  as the quality is compromised.
- The government continues to commit itself in ensuring no one is left behind as its policies are inclusive and are formulated and implemented to address the needs of the marginalized. The establishment of an Empower Bank for youth shows political commitment at the highest level and political will to advance the youth agenda. The government has established a youth desk in the Ministries of Agriculture and Mining to promote youths in economic growth.

## 3.4 SESSION 7: FEMINIST PERSPECTIVE ON DEBT AND DEVELOPMENT BY GRACE RUVIMBO CHIRENJE (ZIMBABWE YOUNG WOMEN FOR PEACEBUILDING NETWORK)



Grace began by highlighting that feminism is a consciousness of all forms of women's oppression and a commitment to work against them. Feminist critiques illuminate the larger structures that oppress both women and men. New development theories embracing feminism are necessary to understand how patriarchy and economic systems propagate oppression. Women experience debt and poor public financing in both private and public lives.

She further noted that Feminist consciousness is related to the need to raise collective power to organize and facilitate for interpersonal understanding of issues to do with public finance, debt, and inclusive development to ensure sustainable economic growth

### The presentation made the following recommendations:

- Revise unfair and unsustainable economic, trade and development practices by assessing the distributional impact of development programs and investments to reduce economic and social inequalities ensure they protect public interest on labour rights, environmental protection, right to health and other areas that have been impacted by investor-state dispute settlement clauses.
- Need for investments in social protection systems, gender-responsive public services, infrastructure, and public sector jobs
- Scaling up public investments in the health sector, care services and education and moving away from privatization and public private partnerships (PPPs).
- Providing directly accessible, highly concessional financing to community, Indigenous Peoples, youth, key populations like the LGBTQI community, feminist, and women's rights groups.
- Putting human rights and local communities at the centre of all development programs and investments.

In conclusion Grace highlighted that true feminism is the feminism that seeks to liberate all women and men which leads inexorably to solidarity politics, solidarity economics, and revolution—a global citizens movement, as described by the Great Transition Initiative.



#### 3.4.1 Panel discussion







### Submissions by Honourable Chido Madiwa, Chairperson of the Gender and Women Affairs Portfolio Committee

### Hon Madiwa highlighted the following:

- Zimbabwe has adopted and domesticated regional and global development frameworks such as the Maputo Protocol and the SDGs. There is still need for political will to ensure that the laws and policies transform the lives of women and girls.
- Employment creation in the infrastructure sector where funds have been borrowed needs to be enhanced as there is a less percentage of women being employed in sectors where public borrowing takes place.

- More than 70% of our population live in the rural areas and about 80% of the population are women hence the public borrowing for basic services such as agriculture need to benefit the rural women.
- Financing for strategy implementation in ending Violence Against Women, very few countries are borrowing funds from bilateral institutions to build shelters for survivors of gender-based violence.
- There need to have more women in parliament, local government councils, who can then push for the need for public debt to address the needs of ordinary women and men in the community.

### Submissions by Rumbidzayi Makoni-ActionAid Zimbabwe Rumbidzayi highlighted the following points:

- There is a need to put the human face on the data beyond the GDP and what we are calling for is the need to look at whom we are taxing in relation to the state of public services which women and girls need.
- It is essential to connect the poor infrastructure which has not been financed by the government such as road, and how this impact on women's ability to reclaim their rights. The current situation leaves behind the marginalized groups affected by the debt burden and tax injustice.
- There is need to look at the power dynamics within the African continent, in terms of the need to build power to address patriarchy and at the same time, challenge the power that international financial institutions such as the IMF and World Bank have over our political leaders.
- ActionAid proposes the need to promote Feminist Economic Alternatives include the following:
  - 1. Investment in the care economy by prioritizing financing gender responsive public services by the government, that will cater for the different groups within society. Care work needs to be remunerated (especially women working in the public services e.g., education and health sector)
  - 2. Building the conditions for feminist economic alternatives to flourish- with reference to the need to promote tax justice by resisting privatisation, encouraging women's leadership in decision making positions where they make the decision in relation to the debt questions, and the need to push for corporate accountability.

### Submissions by Dorothy Hove, Executive Director Zimbabwe Women's Resource Centre and Network (ZWRCN):

### Dorothy highlighted that:

- Redefining feminism is about ideologies that put hierarchies to sexes against patriarchy and addressing structural injustice that violate women and girls' rights it's a societal struggle.
- Women and girls are the ones who initially face the impact of climate change, capitalism, neo liberalism and racism in a society,
- Strides have been made by the government including the parliament to ensure that the budget becomes gender responsive. There is a need to ensure that resources are channeled towards the needs of women and marginalized groups.
- These are critical sectors that need to be looked at with a critical eye and prioritized (health, education, water and sanitation, infrastructure)- these services have a gender lense as women and men are affected differently by lack of basic services.
- The RBZ reports on Financial Inclusion and the Zimbabwe Financial Inclusion Strategy for 2016 to 2020 show the effort the government has been making in ensuring that women access loans, hence the establishment of Women's Bank and Empower Bank. There is a need for the government and financial institutions to ensure that conducive conditions are met to allow women to access financial services to transform their lives, for instance women's access and control of collateral is key irrespective of one's social status or marital status.

• The realities of the informal sector need to be acknowledged within the broader public debt question, with women and youth being in the majority. This sector generates a lot of income which has not been incorporated into the GDP. There is need to think of ways in which the informal sector can be formalized so that the tax accrued can feed into the national fiscus.

### 3.4.2 Plenary Discussion

#### The following issues were raised during plenary sessions:

- Questions were raised in relation to progress made by the government in achieving #SDG5, which is global standard for women empowerment through policy alignment
- Appealing our female legislators to work with women's rights organizations in interrogating macroeconomic policies using a gender lense.
- The educational system will need to be reformed especially in the economic faculties so that the content is also engendered
- A comment was made in relation to whether the additional 60 seats in parliament through affirmative action have contributed to women empowerment or it could be lack of enforcement of laws and policies.

### 3.5 SESSION 6: DEBT AND CORRUPTION NEXUS IN ZIMBABWE PANEL DISCUSSION







### Submissions by Tafadzwa Chikumbu, Executive Director Transparency International Zimbabwe Mr Chikumbu highlighted the following:

- Reference to corruption scandals that date back to the 1980s help in locating the nexus between debt and corruption. These include the 1987-Ziscosteel scandal; 1987-Air Zimbabwe scandal,1988 NRZ housing scandal, just to mention a few cases.
- 2016 the government of Zimbabwe adopted the Zisco steel Debt which was assumed by citizens though there was a scandal around the same company in the 1980s as the company failed to meet its obligations to local financing institutions and suppliers
- 2017 national budget outlined plans by government to assume Air Zimbabwe debt, Civil Aviation Authority debt, as well as NRZ debt. These debts were guaranteed by the state
- The public debt accrued was targeted at infrastructure projects for instance the Hwange projects upgrade in the 1990s, and other broader infrastructure projects at local government, infrastructure in the energy sector, software upgrades in the health sector, mining and energy sector, guaranteed loans given to NSSA, and broadly the ICT services.
- Weak systems of oversight, compounded by alleged corruption in the institution of parliament are some of the challenges that affect Zimbabwe as a country.
- Conflation of state and party business in relation to public debt e.g., RBZ Debt Assumption Bill this still haunts the country, where public officials abuse their power to seek funding and borrow money and farm equipment for private use and later, assume that debt for the ordinary citizens to carry that burden.
- Rampant corruption in public procurement takes place-where most of the resources are lost- e.g., procurement of goods and procurement of services (e.g., Gwanda solar scandal)
- The rising public debt and corruption continues to affect governance systems at local and national level e.g., Pomona Gate - where elected officials from different political parties are unable to reach a consensus on what is best for the citizens in terms of that deal. The Pomona gate is another form of debt that Zimbabweans are accumulating yet there could be room to make decisions that benefit citizens and economic institutions
- State and political capture by private sector: As the country prepares for the 2023 elections, it is important to reflect on political party financing even during and after elections, where those who supported specific political parties would benefit from undue public procurement processes- which is a reality that is always ignored.

### Submissions by Mr Sungano Chisina: Assistant Operations Director, National Youth Council Mr Chisina highlighted the following issues:

- Debt and corruption negatively affect youths to a great extent as statistics show that individuals below 35 years make up 67.7% of the national population. Hence when the government negotiate a loan the youth component needs to be considered - in terms of whether loan will address the high level of unemployment.
- Currently approximately 22 million youths are unemployed or are not in training, hence debt and corruption is interlinked with the increasing levels of unemployment
- Drug and substance abuse has negatively affected many youths, mainly because due to lack of support system within the family and within the government structures, coupled with increasing debt that makes it difficult for state institutions to provide support to youths. Lack of basic services speaks to misappropriation of resources that were meant to create such opportunities
- Absence of youths in parliament out of 210 constituencies is a cause for concern as there is no voice that will speak on behalf of youths when policies and laws are being formulated.
- The Ministry of Youth together with its stakeholders have been lobbying for 10 seats to be allocated in the next parliament, but more can be done to increase youth representation in parliament and other government institutions.

### Submissions by Honourable Brian Dube, Public Accounts Committee (PAC) Chairperson Hon Dube raised the following points:

- There are key infrastructure projects that have not been completed, and their cost has also contributed to the increasing debt stock. These include the Gwayi Shangani Dam Dam which are yet to be completed. Gwaai Shangani project dam has been in existence for 40 years. Hence it becomes difficult to source the costing from then to date, yet this is still a project to be completed. Gwayi Shangani was projected to cost US\$600 million at the inception, The Tokwe Mukosi dam was supposed to run from 1998 and finalized in 2002. But it was completed in May 2017.
- In terms of oversight and scrutiny, nearly 20 years of a project, different MPs and committees had reviewed the above cases, but it becomes difficult in following track of the progress made.
- The Kazungula dam which covers Zambia and Botswana is a best case that shows what should be done. Both countries agreed on the cost of the dam and the financing came from Japan and some amounts from AfDB. The cost was US\$259,3million to be completed in 3 years It was easier for Zambia and Botswana to follow up
- The same cannot be said about the current Mbudzi roundabout project which has different figures in terms of the costing. The PAC is not so sure of who has been paid among other setbacks. The main challenge regarding the above case study was non-disclosure from the Ministry of Finance. PAC received minutes from the treasury and issues such as discipline, governance, performance was cited in the minutes
- PAC managed to push for the Ministry of Finance to stop the direct payments which was difficult for parliament to trace the payment.
- The PAC had made efforts in playing its oversight role and continues to interrogate, write reports and make recommendations as a parliamentary committee. Currently there is a pending case with ZINARA where the committee has received updates on what they have done and what they fail to do
- The key challenge is that most public institutions are too weak for individuals, as some individuals are too strong for parliament for example, hence it has become difficult for things to move.
- PAC has also engaged ZACC, PRAZ and NPA on outstanding cases on tender issues as there was no progress being made in the courts in terms of prosecuting perpetrators.
- The reason why the country continues having challenges in terms of debt is related to increased levels of corruption which is in 2 forms, namely the looting of funds and dubious contracting fictitious contracts leading to over pricing of items and making it difficult to pay debts.

### Submissions by Honourable Temba Mliswa: African Parliamentary Network Against Corruption -APNAC Hon Mliswa raised the following issues:

- Zimbabwe not doing well on Corruption perception index in comparison with Botswana, Namibia, etc.
- In Zimbabwe, we have 2 types of corruption Grand (tax evasion among elite) and petty corruption (bribery acts local level- e.g., Passport application, ID application, etc.)
- Influential Individuals that are engaged in corruption capture institutions including social ties.
- Corruption has been rife in the extractive sector and procurement of public services where incidences of corruption take place.
- The Executive has been signing loans in the form of natural resources such as minerals without parliamentary oversight. Botswana is an example of a country that has one mineral (Diamonds) but it has done a lot in public finance management.
- Key ministries continue to receive few resources in the 2023 Budget, as the government does not have resources to provide public services to its citizens, e.g., education, health and other basic services.

#### **RECOMMENDATIONS**

- The government has assumed the debt of parastatals, and this has put the burden on taxpayers. There
  is need to privatize the parastatals and at the same time the government should subsidize basic food
  communities
- As far as APNAC is concerned the country should come up with a Public Integrity Law. In Kenya, under this law, if a public official has a history of corruption, he or she should not hold that position.
- A lifestyle audit should be conducted by ZIMRA on certain public personalities and other individuals, as some of them do not pay taxes. This is something that should be done.
- The Whistleblowers Act needs to be expedited so that ordinary citizens report cases on corruption
- Strengthening of ZACC and NPA with enough resources should be prioritized, through the support from the fiscus so that they carry out their mandate without compromise.
- APNAC needs to keep its Executive in check so that the country should not be indebted
- External loans should not be concluded by the Executive, as the parliament needs to play an oversight role.
- Parliament needs to continue name and shame those involved in corruption and continue holding nonperforming parastatals and hold them accountable.

#### 3.5.1 PLENARY SESSION

- 1. What can be done to move from rhetoric to having actual action on curbing issues around corruption?
- 2. How far is your committee is involved in due diligence of PRAZ with reference to procurement processes that came from the audit general
- 3. o what extent the issue of beneficial ownership register can help to address the issue of shell companies?

### Responses from the Panelists

- 1. PAC is not involved in the procurement of goods by government the committee is involved in the tracking and following value for money, checking whether the funds had been budgeted for and whether it had been used for the right purpose. In relation to PRAZ, it is also a key witness to PAC when engaging in enquiries as they are involved in how procurements are being made. Future meeting with PRAZ will be made to ascertain why the government to procure from companies that are blacklisted by other government entities.
- 2. Who is responsible for due diligence for individuals who come to invest? Parliamentarians should be compelled to declare their interests before chairing specific committees. Corruption would need to be addressed by ensuring that parliamentarians adhere to specific code of conduct (reference to Standing Orders 51 of the Parliament of Zimbabwe).
- 3. There is a need for concerted effort in addressing greed from all forms of life through passing progressive laws that deal with corruption. There is also a need to finance institutions dealing with corruption. Citizens should ensure that they report individuals involved in corruption.
- 4. Citizens have a specific role to play, and they need to be tempered to report on corruption
- 5. There is need for independence of institutions that deal with corruption as well as dealing with impunity.
- 6. Embracing technology and modernizing procurement and other operations to ensure that there is limited public interaction when dealing with public procurement.
- 7. Asset recovery needs to be prioritized coupled with the need to develop serious laws that address corruption. this also entails equipping institutions responsible for corruption with financial resources to combat corruption, especially to the NPA, ZRP and ZACC.

### 3.6 SESSION 8: DEVOLUTION AND INTERGOVERNMENTAL FISCAL TRANSFERS: POLICY AND IMPLEMENTATION MODALITIES REALITY CHECK PANEL DISCUSSION

### Submissions by Dr Josiah Makombe, President of Rural Councils Association of Zimbabwe Dr Makombe highlighted the following issues:

- The LAs have been struggling to provide services to its residents and stakeholders. Many people no longer have confidence in the LAs in discharging their duties. This is because of years of neglect as a country, starting from the central government. Ministry of Local government presides on various decisions that impact on LAs
- It is important to note that LAs had so many areas where they could get revenue from. For instance, LAs used to provide electricity to residents including buildings; licensing for road maintenance was done by LAs but it was taken by central government where LA had to wait for revenue from ZINARA, which has been delayed
- Central government took water from LAs but realized that it did not bring profits and had to return it back to LAs. For the past 10 years, government has not been providing grants to LAs. Resources were not put to upgrade and maintain its infrastructure- e.g., water works for Gweru City Council was put in place in 1959. There has never been an upgrade hence the current water challenges in Gweru. Rural-urban migration has caused pressure to LAs to provide water and other services.
- Rates and taxes cannot be used to finance the upgrading infrastructure. Government used to grant Public Sector Investment Program to LAs as long-term loans at concessionary rates. This stopped a long time ago-rendering them useless in terms of trying to provide service delivery.
- LAs take note of devolution grants that were put in place starting in 2019, though the funds are not enough.
- LAs met with the President to address challenges that LAs have been facing including the need to increase the allocation to LAs from the Devolution funds.
- When it comes to the devolution process, LAs do not have authority. They must seek authority from the Ministry of Local Government. Government needs to spell out the devolved responsibilities.

### Submissions by Dr Rodrick Fayayo, Senior Fellow Public Policy and Research Institute of Zimbabwe Dr Fayayo highlighted the following:

- The problem affecting the country is that there is no local governance architecture and there is no collective local governance agenda.
- Citizens have only contributed to casting their vote during local government elections and not engage in continuous process in terms of holding local leaders accountable.
- The central government has too much power as they do not acknowledge the autonomy of LA.
- Decentralization and devolution agenda has not been achieved in its true sense as the central government reverses constitutional decisions made by LAs.
- Fiscal transfers are central to the devolution agenda, as they are supposed to help provinces that do not have enough resources to develop their local areas.
- Contestations will take place between the central government and LAs when fiscal transfers are made, as central governments try to interfere as LAs try to reclaim their power. This is a global phenomenon as it is centered on the need to reclaim power and autonomy.
- Principles on fiscal transfers are related to structures and rules to ensure accountability in relation to transfer of resources. For instance, this is prevalent in South Africa.
- It is important that issues of equity and inclusion are addressed when dealing with fiscal transfers.

  There is a need to acknowledge the fact that regions are not homogenous when it comes to deciding the number of resources that should be transferred to different regions.

- Fiscal transfers are supposed to be instruments of development but in Zimbabwe, they have been used to strengthen power and can be used to engage in corruption.
- There is no spirit of accountability, as the parliament is not aware how much funds have been transferred to provincial capitals and the residents are not aware of the funds that would have been transferred from central government.

### Submissions by Honourable Chikukwa - Chair of the Local Government and Public Works Portfolio Committee

- There is a need to have a provincial and metropolitan council which would decide how the devolution funds will be utilized.
- The committee previously summoned the Minister of Local Government and Attorney General on why they are delaying in coming up with the Devolution bill.
- Hopefully before the end of the year the above case would have been addressed
- The LAs would need to deal with behavior of its staff members and do not need the intervention of the central government
- The 2nd Republic has noted that devolution in Zimbabwe is a subjective matter since Zimbabwe is a unitary state.
- The preamble of the devolution policy is centered on fostering unity, where each province utilizes its comparative advantage in building its local economy.
- The community must determine their needs and set their priorities without interference from LAs.
- LAs were advised not to dictate to the community what their focus areas should be in as far as utilization of devolution funds is concerned, (5% of the national budget is allocated for devolution projects at the local level which according to the constitution, should be administered by the metropolitan and provincial councils).

### Submissions by Dr Vincent Chakunda, Senior Lecturer Midlands State University Dr Chakunda made the following submissions:

- The idea behind the need for Devolution started in 1985 after an enactment of the Provincial Act which was heightened between 2008 and 2009.
- Chapter 14 of the Constitution has a preamble centered on Devolution which was a contested area during the constitutional making process between 2009 and 2013. There was no consensus on how power would be devolved.
- The principle of Devolution is derived from the consequentialist view where economic dividend is devolved to each province, to deliver territorial justice by giving more power to local communities. In other words, it has to do with the contestation of power.
- It should be noted that politicians such as Professor Johnathan Moyo during the constitutional making process, were against the need for devolution as it was seen as a cessation of power, which is currently being upheld by the 2nd Republic.
- There is a need to remodel Devolution in the socio-economic and political realities of Zimbabwe.
- In South Africa there are serious political debates on the remodeling of provincial councils
- The challenge towards fully embracing devolution agenda by the current administration lies in the lack of political will especially with those with conflicting political ideologies.
- With reference to fiscal transfers, its objective is to equalize vertical and fiscal imbalance from the central government to LAs to promote horizontal equity.
- Key lessons from South Africa would provide insights into what can be done. With reference to section 265 of the Zimbabwean constitution, the need to enhance inter-governmental relations towards building a cooperative governance system such as the one in South Africa (Division of Revenue Act) was strongly emphasized.

 Recommendation: create an organic devolution which serves national interests, even though there is need to acknowledge that power will devolve from the central government to sub national structures or institutions.

### 3.6.1 Plenary Session

### The following issues were raised from the plenary:

- 1. What opportunity do we have as Zimbabwe under the Devolution bill or Metropolitan Bill to address the need to enforce fiscal transfers?
- 2. There is need to acknowledge how councillors have not been respected by senior technical experts within LAs, thus the need to courage professionals to run for office within LAs to support the efficient administration of LAs
- 3. The Parliamentary Portfolio Committee on Local Government should be able provide oversight role and put the Ministry of Local Government to task in terms of expediting the passing of the Devolution Bill.
- 4. Can Zimbabwe sustain the proposed leadership structure under the Devolution Bill? is there an alternative model that will trim the leadership structures to have a lean government structure that does not burden the national fiscus
- 5. Experiences from Zambian civil society representatives show possibilities in engaging with LAs, Ministry of Finance and Economic Planning and Parliament in convening community engagement processes in order to enhance decentralization agenda, with support from GIZ, UKAID and the UN institutions.
- 6. How have LAs addressed issues of corruption on land distribution at local level?
- 7. Have there been plans to develop a debt management framework at LAs?
- 8. Any thoughts on how to address intergovernmental and Inter parastatal debt within LAs? In other words, what could be the solution to the above crisis?

### Responses from panellists:

- **Dr Makombe** from UCAZ stated that the tension between councilors and technocrats within LAs had to do with the way the LAs were structured and lack of respect for each other's role. In other words, councilors were failing to exercise their oversight role, and this has affected service delivery.
- Regarding the disposal of land, Dr Makombe stated that this was done by technocrats and not councilors, so they would come up with a price for the land disposal. The councilors do not even know where there is a vacant piece of land to be sold. However, the councilors who were arrested due to their act of corruption were not convicted as this was political.
- Government increasingly owes large sums of money to local authorities especially Ministry of Home Affairs and Defense. ZESA continue to charge local authorities at commercial rates for electricity used at water treatment plants although no profit is being realized from providing water.
- Honourable Chikukwa's response: the issue of the committee being supervisors to the Ministry of Local Government is indeed true. Several changes were made in the Devolution Bill, hence the committee summoned the Attorney General and the Ministry of Local Government to find out on the delay of the passing of the Devolution Bill, where the Attorney General stated that staffing gaps and other competing priorities also derailed the passing of the Devolution Bill. Honorable Chikukwa stated that the LAs management (Accounting Office), in charge of the budget should engage with the communities in order to have an appreciation of the community's priorities which will inform the formulation of the budget for the following year.
- **Dr Chakunda** stated that the intergovernmental model that was developed by himself and a team of experts was published in local governance journals and expected that the model will be interrogated by the government and the academia on the feasibility of the model being implemented on the ground.





### 4.1 SESSION 9: REGIONAL EXPERIENCES ON TRANSPARENCY AND ACCOUNTABILITY IN MANAGING DEVELOPMENT FINANCING INCLUDING SDRS BY TAFADZWA CHIKUMBU



### Mr Chikumbu Began by noting that transparency in public finance is important for the following reasons:

- Transparency ensures that public officials, civil servants, managers, board members and businesspeople act visibly and understandably, and report on their activities. This means that the public can hold them to account.
- It is the surest way of guarding against corruption and helps increase trust in the people and institutions on which our futures depend.
- Transparency and accountability are critical for the efficient functioning of a modern economy and for fostering social well-being. Transparency ensures that information is available that can be used to measure the authorities' performance and to guard against any possible misuse of powers. In that sense, transparency serves to achieve accountability, which means that authorities can be held responsible for their actions.
- Without transparency and accountability, trust will be lacking between a government and those whom
  it governs. The result would be social instability and an environment that is less than conducive to
  economic growth.
- Transparency can help attract cheaper international credit, though opacity in fiscal matters can
  undermine fiscal discipline. Transparency and public participation can help shine the light on leakages
  and improve efficiency in public expenditures. Transparency and public participation foster equity by
  matching national resources with national priorities

### He further highlighted the following Regional and International Best Practices for Development Finance:

- Availability of platforms for democratic debates on the use of development finance
- National tracker on the use of development finance
- Open data on development finance accessible to all stakeholders
- Provisions for peer review mechanisms
- Shadow reporting mechanisms

### 4.1.1 Panel Responses

### Submissions by Masimba Kuchera-Centre for Disability and Development Mr Kuchera highlighted the following issues:

- Section 22 and 83 of the Zimbabwean Constitution focus on people with disabilities and these are some of the very few sections in the Constitution that have a commitment to provide resources.
- Public finance management is viewed using a top bottom approach where those who hold purse strings prescribe what can and cannot happen with the funds they have.
- There is need to have a conversation between those who manage the resources and those who tend to benefit from those resources
- Policy implementation has been overemphasized in previous conferences. This leaves a lot to be desired.
- Funds earmarked by Disability in 2019 was reallocated to Ministry of Public Service and these funds by 2021, they have not been returned.
- Reference to Auditor General's report show key challenges- where there is no sufficient motivation on one end and no sufficient mechanisms to punish those who are not transparent.
- PFM systems must have incentives for those who report incidents of corruption and punish those who are found on the wrong side of the law.

#### 4.1.2 PLENARY SESSION

#### The following question arose during plenary discussions:

- What is the rate at which the recommendations from budget consultations being considered by the Ministry of Finance?
- Is it possible to call for a special debt audit? Given that it has happened with Covid-19 Funds.
- Can parliament shed some more light on these Performance Contracts for senior government officials?

### **RESPONSES**

- The Parliament through the Committee on Budget, Finance and economic development convene countrywide budget consultative meetings every year and after that the expanded SDGs committee compile a global report which analysis the rate of absorption of recommendations from the consultations. The 2022 national budget had incorporated about 54% of the recommendations that arose from the public in 2021 consultative processes. The following year, the parliament would inform the public on the outcome of the budget consultative processes.
- Performance contracts are dealt within the Executive. A work plan is drawn and evaluated by the Executive. Parliament request strategic plans from government ministers and the parliament monitors performance on a quarterly basis.

### 4.2 APNIFT-AFRICAN PARLIAMENTARY NETWORK ON ILLICIT FINANCIAL FLOWS AND TAXATION BY HONOURABLE JAMES CHIDAKWA

#### Hon Chidakwa highlighted the following:

- Illicit Financial Flows (IFFs) can be defined as money transferred illegally. Manifestation of IFFs are identified through corporate tax abuse- exacerbated by MNCs. It becomes important to understand global financial architecture that is causing IFFs, including the effects and ramifications caused by international financial architecture
- According to OECD report, commercial activities 65 % of and 30% illegal activities, corruption amounting to 5%. Direct losses are due to misalignment of profits attribution of commercial activities leading to IFFs
- Understanding this context, these loopholes need to be addressed by African legislators. The world at large loses US\$171 billion per year due to offshore tax evasion. Progressive forces have come on board on prospects of introducing a wealth tax
- The Mbeki report necessitated the need for the formation of APNIFT to play a role in redefining African architecture in dealing with IFFs.
- Africa has not come up with its own framework to deal with IFFs hence APNIFT fills that gap. Africa
  must come up with its own recommendations that can address the gaps in relation to illicit financial
  flows.
- There is need for solidarity leading to the interaction at this platform where honorable legislators across Africa converge to find ways of averting IFFs.

### Dr Khanyisile Litchfield Tshabalala, APNIFT Chairperson's Remarks:

- It is a paradox that Africans are poor, yet Africa is endowed with resources. African resources plundered for global north development through slavery, colonialims up to date Africa suffers from tax, debt and trade. A provider of raw materials and importer of finished products.
- The existence of IFFs is not divorced from global structural inequalities. The APNIFT caucus is to tighten screws on IFFs.
- APNIFT's role is to facilitate active participation of legislators through supporting legislative oversight and representation.
- There is a need to align the PFM act to the provisions that allow legislators to be engaged in contract negotiation. The caucus will push this to be affected as it tries to engage diplomatically with relevant government ministers to push for policy change
- The caucus also aims at mobilizing political will among legislators in order to stem IFFs in Zimbabwe.
- The network also ensures that parliament oversees the passing of the precious stones act and related mining laws.
- The network will be tasked with the need to ensure that competitive bidding and adherence to due procedure is addressed; as well as monitoring royalty payment, engaging PRAZ in ensuring that guidelines are adhered to; supporting beneficial ownership; as well as pushing for the Public Companies act register to be opened to the public.
- The network has also been pushing for its members to advocate for repatriation which is a conversation that take place as alternatives to the debt question. Africa must define its position regarding the reparations for the loss incurred during colonialism and even slavery. African legislators should advance this agenda.



#### **RECOMMENDATION:**

- Advancing motions against poor mining contracts: The caucus will commit to advance motions against poor mining contract negotiation
- Supporting enacting the full operationalization of Section 315 of the Constitution
- Overseeing the total formalization of artisanal mining to avoid continuous tax evasion
- Lobbying government to join the extractive transparency initiative as a benchmark for standard setting.
- Development of PFM Digital Depository to acknowledge other minerals (gemstones)

### 4.3 SESSION 10: DEBT TRANSPARENCY ADVOCACY INITIATIVES: LESSONS FROM THE REGION AND BEYOND BY RANGARIRAI CHIKOVA

### The presentation highlighted the following issues:

- The African continent continues to suffer from a plethora of debt challenges and Indebtedness in many African countries has increased. The situation has been worsened by the Covid-19 pandemic where countries contracted debts to deal with the pandemic.
- Conversations on debt transparency have generally focused on borrowers and tended to give a blind eye to lenders. Debt transparency should also focus on the lenders too and not only to borrowing countries.
- Citizens and civil society have the right to hold their governments accountable and to do this, they need free and ready access to understandable information. Lack of citizen access to debt information can allow public servants to make decisions about the use of public funds or future claims on public funds that are not in the best interest of society.
- Parliaments and supreme audit institutions (SAIs) need ready access to public debt information, not
  only during the budget process, but on a continuing basis to fulfil their public sector oversight function
  and to help safeguard public resources and citizens' welfare.
- Governments themselves benefit from publicly accessible, comprehensive, and timely debt information, and they are the entities that have the prime responsibility for ensuring this transparency. But this transparency also goes beyond the central government since other institutions, such as SOEs and local governments, may also take loans or issue debt securities and may even do so in foreign currency, with the associated exposure to currency risk.
- The Stop the Bleeding Campaign through the leadership of AFRODAD with the support of OSF is implementing the African Debt Campaign which seeks to mobilize, organize, and re-awaken advocacy on debt and influence policymakers at country and regional levels on prudent debt management and equitable investment in public services.
- The campaign is a broad movement of citizens from civil society, trade unions, women rights activists, and youth activists etc.

#### Submissions from Mr Chivore, Director Parliament Budget Office

#### Mr Chivore raised the following issues:

- Raising awareness on the benefits of citizen participation in budget processes and debt audit is important e.g., Norway in 2009, committed to investigate its own lending including loans given to developing countries through a debt audit as a means of promoting transparency
- IMF criticizing the opaqueness of some lenders (People's Republic of China)
- Creation of the demand for accountability will force the government to respond to the demands.
- Bringing in credit rating agencies and lenders into this discourse is key as it will show them benefits of working in a transparent manner.

- Government led debt audit in Brazil and Ecuador is one of the best practices that Zimbabwean government can take on board.
- All-encompassing approach -where civil society takes a lead in these processes is also something to reflect on

### 4.3 SESSION 11; DOMESTIC RESOURCE MOBILIZATION AND DEBT SUSTAINABILITY IN ZIMBABWE BY JOHN MAKETO, PROGRAMS MANAGER ZIMCODD



John highlighted that it is important to note that DRM is key in debt sustainability processes due to the following factors:

- 1. It enhances competition for limited financial resources globally.
- 2. It strengthens self-determination & economic independency (self-paced development agenda).
- 3. It facilitates disentanglement from debt & aid trap.
- 4. The abundance of natural resources in Zimbabwe makes it possible to commit to DRM.

### The presentation also noted the following potential sources of DRM:

- Boosting Savings
- Remittances important inflow of resources
- Harnessing technology and digital business models
- Expand the scope of taxation (tax base):
- Wealth and Property tax (set threshold for taxable properties)
- Environmental tax
- PPPs

### John also recommended the following:

- Combat Corruption and illicit financial flows
- Prudent Public Finance Management to restore efficiency & confidence
- Adopt Innovative Financing Instruments
- Informal Sector Inclusion Framework
- Embrace the Fourth Industrial Revolution (incl. FinTech)
- Take Advantage of the African Continental Free Trade Area
- Lobby for Debt Cancellation
- Open Civic Space & promote public accountability



### 4.3.1 Panel Responses

### Submissions by ZIMRA Commissioner General: Ms. Regina Chinamasa

Ms. Chinamasa stated that ZIMRA's mandate is to raise revenue on behalf of the government and advise the government on fiscal matters. Its mandate contributes to the fulfilment of the government's Vision 2030 through the following 3 pillars

- Ease of business
- Plugging of leakages
- Restoration of fiscal balance

She went on to state that ZIMRA was on course on meeting the target as it is currently aiming at reaching the target of ZW\$ 1.6 trillion, which was revised during the mid-term review. ZIMRA had already collected ZW\$ 1.2 trillion to date. There is collaboration with law enforcement agencies in dealing with corruption and IFFs, though there have been asset forfeitures and pending court cases on corruption. She also indicated that they have a dedicated division in addressing tax evasion and malpractices from a criminal perspective with a revenue collection target. **Further initiatives to enhance DRM include** 

- Reviewing tax policy and mining royalty regime. This also includes reviewing upcoming legislation on Oil exploration with recent discovery of oil in Mbire.
- Digitisation programme is on course: proposing to institute VAT on digital services
- ZIMRA has also received technical support from its partners such as ATaX and OECD
  in order to get the African voice to be heard in global policy spaces With support from AfDB, ZIMRA
  has managed to get the tax revenue management system in place which will be rolled out in June 2023.
- Non-intrusive systems to man our border post by deploying new technical equipment such as drones and K9 sniffer dogs
- Exchange of information is also key even with those states where there are no tax agreements.
- ZIMRA is part of a global fora on tax with 136 member states. Hence if we leverage on that we get access to information
- Partnership with law enforcement such as ZRP, ZACC, NPA and FIU in order to address money laundering.
- All senior managers make asset declarations at the point of employment and after 2 years. A preemployment vetting process takes place as part of internal measures to curb corruption.
- The institution also implements the Arusha Declaration that sought to address remuneration for staff members to curb cases of corruption and illicit financial flows.
- The debt stock stands at ZWD\$33 billion

### Submissions by Dr Makombe, President Rural Councils Association of Zimbabwe

### Dr Makombe highlighted that:

- For us to get a certificate of borrowing we need to be up to date with audits. Most urban. LAs are not up to date with their financial reports.
- Most LAs have not had their accounts audited. We are financing our operations through PPPs, which have become most popular in most urban LAs to finance the resuscitation of infrastructure.
- The local authority is not collecting much. we are trying to remodel the occupation of certificate
- Export processing zones- not much revenue is being collected especially the Chinese rarely contribute to the infrastructure- we are engaging government so that taxes are paid to the local authorities e.g., in Midlands- there are so many Chinese companies processing chrome and pay nothing to local authorities, where they should be paying tax as a result of the chrome mines business.



- Most councils are collecting 45% of the billing and it cannot sustain the operation of local authorities.
- There are plans to come up with new models of financing infrastructure such as shopping malls or state of the art bars to attract people.
- Some LAs have partnered with other institutions including Harare City Park to get more resources for day-to-day operations, especially water and sewer.

### ADOPTION OF CONFERENCE COMMUNIQUE - ZIMCODD

Fambai Ngirande from ZIMCODD Secretariat read through the draft communique which would be made available on ZIMCODD and AFRODAD's websites.

### **5.0CLOSING REMARKS - AFRODAD**

Tirivangani Mutazu from AFRODAD gave a vote of thanks and informed the conference that follow up activities with respective institutions will take place during the course of the year.



African Forum and Network on Debt and Development

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