Seventy Sixth Sovereign Debt News Update: Zimbabwe Progresses to Third Dialogue Meeting Under ACDRRP as ZIMCODD Wins Key Judicial Victory on Debt

By:

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The Zimbabwean government continues to take considerable steps to reaffirm its commitment to the Arrears Clearance and Debt Resolution Process (ACDRP). Led by the African Development Bank (AfDB), Zimbabwe hosted the third debt and arrears clearance structured dialogue platform meeting with development partners and creditors. The meeting was facilitated by Dr. Luisa Diogo, the former Prime Minister of Mozambique serving as lead technical advisor to Joaquim Chissano, who is the former President of Mozambique and high-level facilitator of the restructuring process.

The third engagement meeting, following two similar meetings held in Harare in December 2022 and February 2023, was a technical meeting which brought together three sector working groups. The three sector working groups are made up of joint teams from both the Zimbabwean government and various development partners including civil society organizations, creditors, and private businesses. Of the three working groups, two that had been established before the latest meetings. These are one on macroeconomic growth and stability reforms, and another on governance reforms. The February 2023 meeting established a third new sector working group on land tenure reforms, compensation of former farm owners and the resolution of Bilateral Investment Promotion and Protection Agreements (BIPPAs). This is all according to the three-part central-pin strategy through which the Government of Zimbabwe is expected to address economic reforms, governance reforms, and respect for property rights.

Speaking at the meeting, George Guvamatanga, the Secretary for Finance and Economic Development, said the government was committed to delivering on the policy reforms arising from the three reform matrices of the three sector working groups. Particularly, the meeting brought clarity on governance reforms, articulating the critical role of the Zimbabwean Constitution and the six pillars contained in Zimbabwe's *National Development Strategy 1* covering the 2021-2025 period. In response to the indicators for the governance reforms matrix, participants agreed on the indicators in three areas—justice delivery, electoral reforms, and peace and security.

On the justice delivery and constitutionalism front, the upholding of the rule of law by the judiciary has already been noted through a recent court judgement given by the High Court of Zimbabwe. In March 2023, the High Court of Zimbabwe gave a court order in favour a socio-economic justice coalition working on debt management in the country, the Zimbabwe Coalition on Debt and Development (ZIMCODD). Citing the Minister of Finance, the Parliament, and the Attorney General, the Coalition sought to compel the Minister of Finance and Economic Planning and Development to amend the Public Debt Management Act and strengthen Parliamentary oversight role in public debt management. ZIMCODD, together with three other Applicants, successfully contended that the practice of debt contraction without parliamentary approval is unconstitutional.

On the 15th of March 2023, the High Court gave an order compelling the Finance Minister to:

1. Propose the limit for public borrowing envisaged in Section (2) of the Public Debt Management Act [Chapter 27:21) for national assent to the National Assembly by way of motion or in the Finance Bill (within 12 months from the date of the order).
2. Gazette a bill amending the Public Debt Management Act [Chapter22;21] (within 12 months from the date of the order), which Bill will outline:

- The role of Parliament in approving loans and guarantees before contraction of same.
- The limits on debts and obligations guaranteed by the State pursuant to section 300 (1) (c) of the Constitution.
- The procedure in respect of which Parliament ratifies or rejects any loan or guarantee.
- The procedure in which the state regularly updates Parliament on debts are obligatory loans including guarantees.

The court order comes at a very opportune and apt moment as Zimbabwe's Debt Relief and Restructuring Strategy is under discussion and review, showing the Zimbabwean government's commitment to reform and reach a resolution. It however remains to be seen how the government will fare in respect of electoral reforms, peace, and security in the upcoming elections.

Finance and Economic Development Minister, Professor Mthuli Ncube said that a staff monitored program would be implemented after Zimbabwe's elections. An International Monetary Fund (IMF) staff monitored program was deemed necessary to ensure effective implementation of the program and reforms. The Zimbabwean government has identified five priority areas that would require funding, namely education, social protection, health, agriculture, and climate change. Overall, development partners have expressed satisfaction with the process, acknowledging the swiftness with which the sector working group on land tenure, the Global Compensation Deed, and the resolution of BIPPAs was established. The next structured dialogue platform meeting will take place in Harare in late April/early May, followed by a high-level debt resolution forum meeting on the 11th of May. It is at this high level meeting that the exact amount to be written off is expected to be discussed.

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