Breakfree

The Zimbabwe Coalition on Debt and Development monthly Newsletter

Investing in people for social and economic justice in Zimbabwe

September-October 2007

Breakfree Newsletter Editorial Team…

Quotable Quotes

"This (RBZ) Governor is a disciple of free market economic forces…" *Reserve Bank of Zimbabwe Governor on October 1 2007*

News bits…

Zimbabwe: IMF Affair Taught Me Hard Lesson – Gono

ZIMBABWE'S Central Bank Governor Gideon Gono on October 1 admitted that he blundered in paying off Zimbabwe's debt to the International Monetary Fund (IMF) in 2005/6… *(http://allafrica.com/stories/200710041138.html)*

New IMF Chief named

Dominique Strauss-Kahn has been named as the new head of the International Monetary Fund (IMF). The former French Finance Minister said he intended to "pursue without delay" reforms that many analysts say are necessary to redefine an organisation that has lost some of its relevance in the last few years… (*Al Jazeera, Friday, September 28)*

Does Foreign Aid Really Work?

From blurb on Roger Riddell's new book, *'Does Foreign Aid Really Work?'*
…Foreign aid is now a $100bn business and is expanding more rapidly today than it has for a generation. But does it work? Indeed, is it needed at all?..
More from the website:
http://www.thepolicypractice.com/foreignaidriddell.asp

Editorial

Dear Reader

The disappearance of food stuffs, toiletries and other essential goods from Zimbabwe's shelves in the past months has already caused untold suffering to the people of Zimbabwe. But the severe water shortages currently experienced in Zimbabwe's cities and towns with most residents having to go for weeks without water toll a death knell to people's resilience. Meanwhile, those who are custodians of the country's resources are only concerned about consolidating their political power by expanding the Senate, harmonising the 2008 elections, as marked by the fanfare surrounding the unanimous support for Constitutional Amendment 18 by both the House of Assembly and the Senate in September. Indeed, September 18 leaves a mark on Zimbabwe's political history following the unprecedented mutual consent to the 18th amendment by the ruling ZANU PF and the Opposition MDC factions in Parliament. The motive behind the consent may not have anything to do with the majority of Zimbabwe as they were never consulted on the issue. On the international scene, one wonders why there has been so much noise about the EU-Africa Summit scheduled for Lisbon Portugal in December. Would Zimbabwe's participation or absence at the meeting bring a lasting solution to the country's economic problems? Could the civil Society's lobby for the halting of EPAs be yielding some results?

In this issue, we look at some of these issues as we reflect on the Zimbabwe National Water Authority's water take over bid.

Read on…

Editor

In this issue…

Zimbabwe Economic Statistics

Gross Domestic Product US5.9 billion *(Dec 2006)*

External Debt US$4, 2 billion (*Dec 2006, RBZ)*

Arrears & Interests US$2, 2 billion (*Dec 2006, RBZ)*

Domestic debt Z$8 trillion *(September, 2007, RBZ)*

Annual Inflation rate 7 982. 1% *(September 2007, CSO)*

Food Basket for a family of 6 Z$ 21, 7 million, October *2007, CSO)*

- *N.B. RBZ-Reserve Bank of Zimbabwe*
- *N.B. CSO- Central Statistical Office*

Kindly indicate two of your favourite articles in this issue by sending an e-mail with the topics as the subject title to comms@zimcodd.co.zw

Reflections on the ZINWA Urban Councils Water Takeover bid

By Ntando Ndlovu

"Inadequate water supplies, numerous pipe bursts, poor water quality and overflowing sewage treatment plants had become a common occurrence posing a serious threat of disease outbreaks in Harare and other parts of the country. The above scenario forced government to direct ZINWA to take over the bulk supply system for HMP in May 2005…." *(ZINWA Column, Business Herald, Wednesday 14 February 2007*

What is Zimbabwe National Water Authority?

The Zimbabwe National Water Authority is a statutory body governed by the ZINWA Act Chapter 20:25 of 1996 that repealed the Regional Water Authority Act Chapter 20:16. Amongst other provisions the ZINWA Act clearly states that the function of the Authority shall be

> " (To) encourage and assists local authorities in the discharge of their functions under the Rural District Councils Act (Chapter 29:13) and the Urban Councils Act (Chapter 29:15) with regard to the development and management of water resources in the areas under their jurisdiction and in particular, the Provision of potable water and the disposal of waste water" (Section 5(e)

The Act recognizes the role played by local authorities in both the urban and rural areas and the different capacities of these bodies hence the need for it to "encourage and assist" them to deliver in the interest of national development. The Act provides that the Authority has a wider jurisdiction to facilitate effective management of water resources in the country but this is restricted to the areas under its jurisdiction without ZINWA necessarily being the monopoly player. The Act provides for possible payment of service charges for any assistance rendered to government, local authorities and catchment councils in the exploitation, management and distribution of water resources and not for the take over of the same responsibilities {Section 5(i)}.

The stated purpose of the Authority was to ensure more equitable distribution of water resources amongst the different categories of the Zimbabwean population particularly in ensuring access to water by the poor and the marginalized. The public initially thought that the primary target areas for the takeover were the regional authorities that fell under the Department of Water within the then Ministry of Land and Water Resources. Most of the urban and local authorities were already independently and adequately serving the needs of the public. They only needed encouragement and assistance to do their duties effectively and not to have their mandates usurped. The few that were purportedly struggling to do their job were taken over by ZINWA under the pretext of saving the situation. In all cases the Authority started with bulk raw water management then seen as complementary to the services of the Council. Later it took over, purportedly to ensure efficient distribution of water from source to the consumer and adherence to water quality standard.

ZINWA's legal framework

Section 21 of the ZINWA Act (1996) authorizes the issue of ZINWA shares to raise the requisite capital up to the amount deemed fit by the Board with approval of the line Minister and the Minister of Finance. The line minister would then gazette the shareholding structure. This implies that ZINWA is currently a state-owned entity or company falling in the same category as the Reserve Bank of Zimbabwe which has nominal authorized shares all held by the Government of Zimbabwe. Section 22(2) provides for the issue of shares "to the State and or alternatively to persons other than the State in such circumstances and subject to such terms and conditions as may be determined by the (ZINWA) Board with the approval of the Minister and the Minister responsible for finance". In simple terms, this means that the

Board can seek floatation of the ZINWA shares through either a private placement or a public offer. The Act is silent on the minimum and maximum shareholding of the State and the origin and attributes of the "persons" that may buy shares in ZINWA. Our reading is that this refers to legal persons that can be private or public companies over and above individual investors.

The Act further stipulates the reasons for the issue of shares to the State and these include the payment of moneys advanced by the State to ZINWA, old loans made to previous Regional Authorities taken over by the Authority as well as the settlement of capital grants made by the State. The State is granted the right to further transfer such shares to other persons who can subsequently trade in ZINWA shares "provided that no fresh restrictions shall be imposed on the transferability of any share while it is held by a person other than the state" (Section 22: 4). Furthermore, the liability of the shareholders is limited to the amount, if any that is outstanding of the shares bought! The wording is typical for private limited companies and it appears misplaced in the context of a national strategic resource such as water as ZINWA's slogan puts it, Water *is life, every drop counts!* Ironically the same government that is seeking to assume new responsibilities around water and sewer management is struggling to sustain activities in its current portfolios. The financial crisis has paralyzed every department including the social and economic sectors. This has been confirmed by the Central Bank Governor's calls for speedy privatization of some of the parastatals early this year.

Possibility of Commercialization and/or privatization

Given the above scenario, it is logical to conclude that the ZINWA Act is a blueprint for the commercialization and ultimate privatization of the Zimbabwean water and related infrastructure at a certain point in time. The National Authority is seeking to centralize the ownership and management of water resources in the whole country with full rights to sell shares in this strategic resource to any investors via the nationalisation route. It must be noted that by definition this is inclusive of both surface and underground water implying that those natural water sources such as rivers, springs, waterfalls and lakes could end up in private hands. At the moment ZINWA relies on fiscal support and the rates charged on the residents without the capacity to buy the existing infrastructure. In the event that ZINWA is privatized how would the ratepayers be compensated for their investment in this public good that will be parcelled out to private investors? Shareholders of a privatised ZINWA would necessarily demand good returns to their investments and these would be guaranteed by charging high market prices for the provision of water regardless of the ability of the general populace to pay. Thus, even rural communities that are currently accessing water from natural wells, boreholes, rivers and other sources free of charge would be required pay for that water.

The public's concern on the proposed takeover of water and sewer management in urban areas.

According to ZINWA[1] in the case of Harare Metropolitan Province (HMP), the water management situation had deteriorated to unacceptable levels posing a serious health hazard hence the "scenario forced the government to direct ZINWA to take over the bulk water supply system for the HMP in May 2005 and extend the takeover to the entirety of the water distribution and sanitation services including billing and revenue collection in 2006"

[1] ZINWA column in the Business Herald of February 14, 2007

If the Government was *forced* to intervene in HMP because there was a crisis it might be assumed that it was acting in the public interest. The questions that residents may still be seeking answers to are- what caused the crisis within the Harare City Council in the first place? Could the crisis not have been addressed without having to transfer ownership and management of the water and sanitation system to the Authority? This is particularly pertinent considering that the water situation within Council worsened under the management of a Government appointed Commission. Furthermore, what compensation if any, are the residents and ratepayers who are the official owners of the HMP entitled to in this case? According to the Act as discussed above, any transfers from the regional Authorities to ZINWA should be compensated for through the issue of shares to the State- what of the HMP stakeholders? What were the market/ economic values of cumulative assets and liabilities of the water departments within the HMP? What benefits would accrue to the residents of these provinces if any?

The foregoing questions inform the continued resistance to ZINWA by residents of cities and towns of Harare, Mutare, Bulawayo, Masvingo, Mutare and others led Residents Associations. For most of these people it makes neither economic nor social sense for ZINWA to control bulk water management and infrastructure but to allow capable authorities to do the rest. A classic case of Bulawayo Metropolitan Province in general and the Bulawayo City Council in particular comes to mind. The Bulawayo City Council (BCC) has a sterling record of not only good management but also provision of quality water to its residents in spite of it being in a drought-prone region. The Council has adequate capacity to do this and over the years the efficiency in water management has enabled the council to generate adequate profits from water to cross-subsidize other critical departments for the benefit of the poor in the city. The Council is generating at least 40% of its annual revenues from the sale of water and has inbuilt subsidies to cushion the poor to ensure adequate access to water for all. The main challenges for the Council are well known and are attributed to low investment towards sustainable sources of water.

The resistance to the takeover is largely informed by the fears that the takeover is driven by the lucrative cash inflows from the sector and not by the best interests of the people of the region. If the “government was forced to direct ZINWA” to intervene in Harare what are the push factors in the case of Bulawayo? With the serious water and sewer management crisis in Harare yet to be addressed by an Authority that is poorly resourced, should more responsibilities be added to it now? Does the new Authority have the capacity to retain the former council employees to ensure continuity in providing these essential services? If not most Zimbabweans fear that the experienced and qualified engineers currently running Council Water departments would simply opt out and join the great trek to the Diaspora. Already there has been talk of hiring external experts. Why not pay local engineers well enough to help alleviate the situation in the HMP? There is a founded concern on the retrogressive nature of over-centralization of basic facilities. For a woman in Old Pumula in Bulawayo or Tafara in Harare, it is unthinkable that in the event of a burst sewer pipe she will have to wait for a response from the Head Office in Harare while raw sewerage is flowing through her yard. This is the case today with a number of government departments that although having regional offices constantly refer all queries to the head Office.

The Government of Zimbabwe is urged to reconsider its policy position on water and sewer management to avoid the imminent man-made health disaster looming in all urban areas. The people have continued to say NO and if the government is for the people, their voice must be heard.

(Ntando Ndlovu is the Programs Director at ZIMCODD)

ZINWA DIARIES…

September 28 2006, The Herald,

ZINWA fails to end water woes

THE Zimbabwe National Water Authority has failed to solve Harare's water crisis and has now resorted to partial supply cuts to cope with rocketing demand arising from the prevailing hot and dry weather. City waterworks have been running at full throttle since the Reserve Bank of Zimbabwe paid off chemical suppliers 10 days ago, but ZINWA has failed to extend these plants since taking over bulk supplies from Harare City Council last year…

October 1 2006, The Sunday Mail Metro,

Water crisis worsens: students carry water for drinking, toilet use

The water crisis that has gripped Mabvuku, Tafara, Hatcliffe and most of the northern and eastern suburbs in the past few weeks has worsened, with residents now resorting to desperate measures to cope with the crisis. Students at Tafara 1 Primary School are now required to bring their own water for drinking and for toilet use because water is not available at the School and the surrounding neighbourhood…

February 9, 2007 Zimbabwe Independent,

Bulawayo mobilises against ZINWA

The Bulawayo community consisting of political parties, civic groups and churches has come together to resist the takeover of the city's water supplies by the bungling Zimbabwe National Water Authority (ZINWA). 'ZINWA has failed in Harare and we say the city of Bulawayo has been managing well. We will fight the takeover tooth and nail even if it means dividing the country. There is no way we can allow ZINWA to mess us up, they do not have the capacity and they only want to plunder Bulawayo council equipment', Said Max Mnkandla, Zimbabwe Liberators Peace Initiative president.

February 28, 2007 The Herald,

ZINWA won't pay for assets

The Zimbabwe National Water Authority will not pay for any assets it inherited from local authorities when it took over water management because doing so would be tantamount to making the residents and ratepayers pay twice for the same infrastructure…

May 15, 2007 The Herald,

Council sabotaged us: ZINWA

The Zimbabwe National Water Authority has alleged that the Harare City Council sabotaged its operations when it transferred employees who have never worked in the city's water department to the authority. ZINWA took over the wholesale management of water and sewer reticulation from council with effect from December 1 last year…

July 16, 2007 The Herald

Govt moots connecting boreholes to water system

Government is considering connecting private boreholes to Harare's water system while ZINWA plans to drill more boreholes to beat the persistent water shortages facing some of the capital's suburbs…

July 27 2007, The Herald

ZINWA must deliver: Gono

The Reserve Bank of Zimbabwe will not stand by and watch service delivery deteriorate in local authorities and other sectors, Governor Dr. Gideon Gono said yesterday. He criticised the Zimbabwe National Water Authority for agreeing to the wholesale takeover of water and sewer responsibilities when it was obvious that it did not have the capacity to deliver….Dr Gono said it was disheartening that some sections of a city or a school go for up to 10 days without water…

August 19, Sunday Mail

ZINWA creates new pandemic: Dr P. Chimedza

I hope I find you in good health. This week I was prompted to write about typhoid because of the grave water situation that we are in, especially in the urban areas, thanks to the people at ZINWA…

September 30 2007 THE Sunday News,

Chombo gives BCC ultimatum

Government has ordered the financially hamstrung Bulawayo City Council to immediately stop dilly-dallying and hand over water and sewerage reticulation to the Zimbabwe National Water Authority (ZINWA)… In a letter to the local authority dated 21 September, Dr. Chombo indicated that Government was not going to accept BCC's request to have ZINWA takeover reversed…

October 2, 2007 the Herald

ZINWA hikes water tariffs

ZINWA has increased water tariffs from Z$3596,20 per cubic metre to Z$23 765,63 backdated to August 1, resulting in Harare residents receiving high bills. The water and sewer authority yesterday confirmed passing the cost of water treatment to consumers…

5 October 2007 The Chronicle

Row over Khami water: ZINWA conducts studies to supply Bulawayo from polluted dam

The Zimbabwe National Water Authority (ZINWA) has begun conducting feasibility studies on the possibility of supplying Bulawayo with water from the heavily polluted Khami Dam, a move which has already sparked a war of words with the city council. Some city councillors feel the exercise is not only expensive but would also compromise public health…

September 26 2007, The Sunday Mail

Water Blues haunt Budiriro…as residents resort to unprotected wells

The ongoing water problems in Harare have forced some residents in the high-density areas to turn to unsafe sources of water while some in the low density suburbs have resorted to digging wells on their premises. Most residents in Budiriro, have out of desperation, dug unprotected wells in the swampy areas popularly known as “Kumatsime”, between 5A and B as well as Budiriro 2 and 4 to help deal with the water problems…A big part of this area also serves as open toilets during water cuts for the majority of he residents, putting many lives at risk.

October 1, 2007 The Zimbabwe Independent

Mid-term Monetary Policy review Statement by RBZ Governor

… We can stop quasi-fiscal operations today, return our dogs to their kernels, as we have tried to do with our Zimbabwe National Water Authority (ZINWA) since the beginning of this year, but what have we ended up with other than acute shortage of water throughout all urban centers, outbreaks of cholera and other diseases, as well as diminished factory and business output where water is a key input? Ordinarily, any Central Bank would just sit and watch. But is this feasible in our case? No; we will not fold our arms while watching people’s lives being endangered through lack of such as water for drinking, water for cooking, bathing and laundry. The majority of our people cannot afford bottled water neither do they have boreholes as do most of us (in low-density suburbs) and those who criticise us for such sincere but temporary interventions…

October 13 2007 The Zimbabwe Independent,

Water woes to continue-experts

Water problems in Harare have been at the center of controversy with ZINWA being the latest target of attack for failing to improve the situation. This week the Combined Harare Residents Association CHRA called for the responsibility of supplying and administering water in Harare to revert to the municipality because ZINWA had failed to provide services. “Persistent bickering between the city of Harare and ZINWA over accountability to residents in cases of quality of water, leakages, inadequate supplies and billing have put residents in an unnecessary dilemma.”

To be continued in the next issue…

ZIMBABWE livelihoods Barometer: *ZIMCODD prices and incomes monthly survey*

		Daily Z$		Monthly Z$
Breakfast	one loaf	150 000		4 500 000
	one pint milk	50 000		1 500 000
Transport	Father	600 000		12 000 000
	wife	600 000		12 000 000
	son	600 000		12 000 000
	daughter	600 000		12 000 000
Lunch	Family (4)???	2000 000		40 000 000
Supper	1kg meat per super	2000 000		60 000 000
	Mealie-meal 10kg	700 000		2 8 000 000
Rent				10 000 000
Electricity				1 500 000
Water				4 000 000
Sub Total				**Z$ 23 7500 000**
Health charges	Adult consultation fees@ govt hospital		Z$100 000	
	Children		Z$50 000	
	Maternity booking		$200 000	
Cemetery Charges	Adults		$ 150 000-$700 000	
	Children		$75 000-$350 000	
Salaries for the majority workforce	Civil Servants & uniformed forces			**Z$** 15 000 000- 60 000 000
	Farm workers			Z$2,500 000-6 000 000
	Shop floor & factory workers			Z$10 000 000-25 000 000
	Security guards			Z$5000 000-12 000 000
	Domestic workers			Z$3 000 000-10 000 000

N.B. prices based on incomes and prices survey done in Harare as at September 30 2007. Note that the government has lifted price freezes from most basic commodities following their disappearance from the formal market.

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TRADE-EU: World Bank Asks For More Time on EPAs

By David Cronin

BRUSSELS, Sep 27 (IPS) – Senior World Bank staff have asked the European Union to consider extending the end-of-year deadline it has set for a series of free trade agreements with Africa. Peter Mandelson, the European commissioner for trade, has repeatedly warned that African, Caribbean and Pacific (ACP) countries will have steep tariffs imposed on their exports to the EU if they do not sign Economic Partnership Agreements (EPAs) by December 31.

Although economists at the 185-country World Bank say they favour moves to boost trade between Europe and Africa, they have suggested that more time is needed to thrash out the kind of comprehensive market liberalisation accord favored by the European Commission. This point has been raised during recent discussions between the Bank and EU trade officials. A well-placed member of staff in the Bank's Washington headquarters said that while the concept of EPAs has been on the agenda of the EU's relations with Africa for several years, the talks aimed at achieving them have only taken place in earnest for the past two years.

"That is a fairly short period to develop a degree of comfort," the source, speaking on condition of anonymity, told IPS. The source said there is a lack of clarity about some of the key issues in the negotiations, including the level of assistance that will be granted to ACP countries so that they can build up their capacity to avail of new trading opportunities. In May, the EU's governments and the Commission committed themselves to granting 2 billion euros (2.75 billion dollars) in annual 'aid for trade' by 2010.

"It's not clear to the Africans, and to be honest, it's not entirely clear to us how much of the aid for trade will be additional (to funds previously earmarked for development assistance)," the source said. Some Bank economists also take the view that the EU should not pressure the Africans into hastily accepting clauses on investment and competition issues in the EPAs.

Such issues were removed from the Doha round of world trade talks following intense lobbying from developing countries, concerned that an agreement covering them would limit their capacity to protect domestic firms against multinational corporations. African diplomats and anti-poverty campaigners have accused the EU of using the EPA talks to push these issues back on the international trade agenda. The Bank argues it is not opposed to the principle of having agreements relating to investment but argues that the Commission should pay heed to concerns raised in Africa. "It might be better to defer these issues until the Africans are ready," the source added.

With the December 31 deadline looming, one idea mooted by African diplomats is that it might be possible to conclude a slimmed-down trade agreement by that date. Such a deal -- described as a 'framework agreement' in diplomatic circles -- would only relate to trade in goods, leaving more contentious issues such as services liberalisation until a later date. EU officials regard the end-of-year deadline as sacrosanct, as a waiver of World Trade Organisation rules granted to the trade preferences offered by the EU to imports from the ACP countries will expire at the beginning of 2008. An accord limited to trade in goods should be sufficient to comply with the WTO's requirements. Nonetheless, African diplomats say that there are serious differences between their governments and the EU on some of the key questions relating to trade in goods. The Africans have proposed that the transition period under which they would have to reduce, and in many cases eliminate the tariffs they levy on imports from Europe should be up to 25 years. Yet some EU officials view that period as too long.

"It will still be difficult to come up with a framework agreement considering the time remaining," explained one diplomat. Anti-poverty activists have highlighted the damage which a flood of tariff-free imports from Europe could have on African agriculture during an international day of action against the EPAs, called for Sep. 27. health Bassiaka Dao, president of the Farmers Federation in Burkina Faso, said that unfettered free trade could compromise his country's ability to feed its own population. "EPAs are a risk for our food sovereignty," he said. "A free trade agreement with the EU will not only have an impact on our commercial relations but will also limit the national policy space in the field of support policies for our agriculture. That is why we say no to EPAs in their current form. "The dairy sector in Burkina Faso, traditionally a pastoralist country, has already suffered because of increased imports of heavily subsidised milk powder from Europe. Yogurt using imported milk powder has been found to be10-15 percent cheaper than that using local produce.

Chicken farmers in Ghana, meanwhile, have warned that the face ruin if the country accepts an EPA. The quantity of European chicken sent to the country exceeded 40,000 tonnes in 2004 and will almost certainly rise in the coming years. "The EU's use of pressure on ACP countries is not acceptable," said Tetteh Hormeku from the Third World Network in Accra, Ghana. "Nor does it make sense. Imposed EPAs will definitely not reflect the EU's interests and trade approaches. They fail to fulfill the development goals the EPAs were supposed to meet."
(*www.bilaterals.org/article)*

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Contact: ***Zimbabwe Coalition on Debt & Development (ZIMCODD),***
No. 5 Orkney Road, Eastlea, Harare, P.O.Box 8840, Harare, Tel/Fax +263 4 776830/1, Email: comms@zimcodd.co.zw, Website: www.zimcodd.org.zw