

# CHAPTER 22:21 PUBLIC DEBT MANAGEMENT ACT

Act 5/2015

[Date of commencement: 4th September, 2015.]

## ARRANGEMENT OF SECTIONS

### PART I

#### *Preliminary*

- [1.](#) Short title.
- [2.](#) Interpretation.
- [3.](#) Public debt management objectives.

### PART II

#### *Functions and Administration of Public Debt Management Office*

- [4.](#) Public Debt Management Office.
- [5.](#) Functions of Public Debt Management Office.
- [6.](#) Principal Director and staff of Public Debt Management Office.
- [7.](#) External and Domestic Debt Management Committee.
- [8.](#) Medium Term Debt Management Strategy.

### PART III

#### *Loans, Guarantees and Other Commitments*

- [9.](#) Responsibility of Office under Part III.
- [10.](#) Interpretation in Part III.
- [11.](#) Borrowing powers and limit.
- [12.](#) Borrowing purposes.
- [13.](#) Manner of raising State loans.
- [14.](#) Certain State loans exempt from tax.
- [15.](#) Proceeds of State loans.
- [16.](#) Security for State loans and guarantees and expenses in connection therewith.
- [17.](#) Repayment of State loans and payment of expenses in connection therewith.
- [18.](#) Signing of loan agreements.
- [19.](#) Repayment, conversion and consolidation of loans.
- [20.](#) Power to give guarantees.
- [21.](#) Payments in connection with guarantees.
- [22.](#) Borrowing by local authorities and public entities.
- [23.](#) Restrictions on borrowing, guarantees and other commitments.
- [24.](#) Consequences of unauthorised transactions and how to exclude them.
- [25.](#) Minister to be exempt from certain obligations.
- [26.](#) Registrar to make entries necessary to give effect to court order.
- [27.](#) Forgery of securities.
- [28.](#) Other powers of Minister.
- [29.](#) Disclosure of information concerning loans and guarantees.
- [30.](#) Monthly, quarterly and annual reports on loans and guarantees.
- [31.](#) Interest and repayment of loans to be direct charges.
- [32.](#) Establishment of sinking funds.
- [33.](#) Trustees for sinking funds.
- [34.](#) Payment into sinking funds.
- [35.](#) Application of moneys in sinking funds.

### PART IV

#### *General*

- [36.](#) Reporting to Parliament.
- [37.](#) Audit.
- [38.](#) Regulations.
- [39.](#) Amendment of Cap. 22:19.

**To provide for the management of public debt in Zimbabwe; to establish the Public Debt Management Office on a statutory basis and provide for its functions and administration; to provide for the raising, administration and repayment of loans by the State and for the giving of guarantees in respect of certain loans; to amend the Public Finance Management Act [Chapter 22: 19] (No. 11 of 2009) and the Sovereign Wealth Fund of Zimbabwe Act [Chapter 22:20] (No. 7 of 2014); and to provide for matters connected with or incidental to the foregoing.**

ENACTED by the Parliament and the President of Zimbabwe.

## PART I

### *Preliminary*

#### **1. Short title**

This Act may be cited as the Public Debt Management Act [Chapter 22:21].

#### **2. Interpretation**

(1) In this Act -

"Committee" means the External and Domestic Debt Management Committee;

"Medium Term Debt Management Strategy" means the strategy for management of the public debt over the medium term formulated in accordance with [section 8](#);

"Minister" means the Minister of Finance and Economic Development or any other Minister to whom the President may, from time to time; assign the administration of this Act;

"Office" means the Public Debt Management Office;

"Reserve Bank" means the Reserve Bank of Zimbabwe established in terms of the Reserve Bank of Zimbabwe Act [Chapter 22:15];

"public debt" comprises domestic and external -

- (a) Government debt, lending and guarantees;
- (b) local authority debt, lending and guarantees;
- (c) public entity debt, lending and guarantees;

and includes the debt of any other entity as the Minister may specify by notice in the *Gazette*;

"public entity" has the meaning given to that term in [section 2](#) of the Public Finance Management Act;

"Public Finance Management Act" means the Public Finance Management Act [Chapter 22:19] (No. 11 of 2009) or any other law that may substantially replace the same;

"Secretary" means the Secretary for the Ministry of Finance and Economic Development or any other Ministry to whom the President may, from time to time; assign the administration of this Act.

(2) A reference in this Act to borrowing, lending or the issuance of guarantees is, unless otherwise specified or the context otherwise requires, a reference to borrowing, lending, and the issuance of guarantees having a bearing on the public debt.

#### **3. Public debt management objectives**

The objectives of public debt management are to ensure that Government's financing needs and its payment obligations are met at the lowest possible cost over the medium to long term, with a prudent level of risk, and to promote development of the domestic debt market.

## PART II

### *Function and Administration of Public Debt Management Office*

#### 4. Public Debt Management Office

The department of the Ministry responsible for Finance known as the Public Debt Management Office, which existed before the commencement of this Act, shall continue to operate in accordance with this Act.

#### 5. Functions of Public Debt Management Office

- (1) The Office shall be responsible for debt management operations relating to the public debt.
- (2) The functions of the Office shall be to -
  - (a) prepare and publish a Medium Term Debt Management Strategy in accordance with [section 8](#);
  - (b) prepare and publish an annual borrowing plan which includes a borrowing limit, and participate in the preparation of an issuance calendar of Government securities in line with the annual borrowing plan;
  - (c) advise the Minister on all Government borrowings, and participate in all negotiations with creditors on Government borrowings and guaranteed loans;
  - (d) undertake annual debt sustainability analyses;
  - (e) assess the risks in issuing any guarantees, including assessing the capacity of the beneficiary of a guarantee to repay the loan, and to prepare reports on the method used for each assessment and the results thereof for approval by the Minister;
  - (f) prepare annual reports on outstanding guarantees, and facilitate the recovery of any payments including interest and any other costs incurred by Government due to the honouring of outstanding guarantees;
  - (g) assess the credit risk in any lending, and prepare reports on the method used for each assessment and the results thereof for the attention of the Minister;
  - (h) prepare reports on the debt of local authorities and public entities; as well as assess, monitor and keep track of debt levels of all local authorities and public entities;
  - (i) store all original loan agreements and debt administration records in relation to the public debt;
  - (j) compile, verify and report on all public debt arrears, especially Government public debt arrears, and design a strategy for the settlement of these;
  - (k) keep timely, comprehensive and accurate records of outstanding public debt, guarantees and on-lending, in a computerised database, and in particular -
    - (i) compile data on all debt servicing obligations of the Government, local authorities and public entities, and prepare and publish debt statistical bulletins in relation thereto regularly, either globally or on a selective basis as required;
    - (ii) validate and reconcile debt data concerning creditors of the Government of Zimbabwe;
  - (l) prepare forecasts on Government debt servicing and disbursements as part of the yearly budget preparations;
  - (m) prepare balance of payments projections;
  - (n) monitor and evaluate projects funded or partly funded by public debt to ensure that borrowed funds are used for their intended purposes;
  - (o) prepare an annual report on Government debt management activities including the debt stock position and related debt service projections, new borrowing, guarantees and lending;
  - (p) operate as the Secretariat to the External and Domestic Debt Management Committee in accordance with [section 7 \(3\)](#);
  - (q) act as the principal adviser in the development of domestic capital markets and issuance of domestic and external debt securities on behalf of the Government of Zimbabwe;
  - (r) assess, monitor and report on any other implicit and explicit public sector contingent liabilities and advise on their management;
  - (s) maintain and administer a secure computerised debt management information system;
  - (t) initiate, facilitate and monitor disbursements on borrowings and on-lending; and
  - (u) analyse requests from local authorities and public entities for borrowings.

#### 6. Principal Director and staff of Public Debt Management Office

(1) The operations of the Public Debt Management Office shall, subject to this Act be controlled and managed by a Principal Director, whose office shall be a public office and shall form part of the Civil Service, and who shall report to the Secretary.

(2) The Principal Director shall be responsible for ensuring the performance and exercise of the functions of the Office.

(3) In addition to the Principal Director, there shall be such members of staff of the Office as are needed for the performance and exercise of the functions of the Office, whose offices shall be a public offices and shall form part of the Civil Service.

## **7. External and Domestic Debt Management Committee**

(1) For the purposes of this Act there is hereby constituted an External and Domestic Debt Management Committee (EDDC), which shall report to the Minister and whose functions shall be to -

- (a) make recommendations to the Minister on public debt management policy and strategy;
- (b) make recommendations to the Minister concerning all external borrowings, domestic debt issuance and guarantees;
- (c) advise the Minister on all policy matters relating to public debt management;
- (d) perform any other functions assigned to it by the Minister in connection with the public debt.

(2) The Committee consists of the Secretary, who shall be the Chairperson of the Committee, the Governor of the Reserve Bank and the Attorney-General:

Provided that:

- (i) the Chairperson may invite any other person whose expertise the Committee may require, to attend any meeting of the Committee and take part in the deliberations of the meeting;
- (ii) the Committee shall meet at least once every calendar month.

(3) The Office acts as a secretariat to the Committee.

## **8. Medium Term Debt Management Strategy**

(1) A Medium Term Debt Management Strategy for managing the public debt shall be formulated by the Minister with the assistance of the Office.

(2) The Medium Term Debt Management Strategy shall be based on the debt management objectives stated in [section 3](#) and shall take into account the following factors or considerations -

- (a) the existing public debt portfolio especially (but not exclusively) the Government component of the public debt portfolio; and
- (b) the macroeconomic framework; and
- (c) the future borrowing requirements of Government; and
- (d) domestic and international economic and financial conditions; and
- (e) such other factors or considerations as may be relevant for the development of the Medium Term Debt Management Strategy, including proposed guidelines or specified targets for acceptable debt levels and risks in the public debt portfolio.

## **PART III**

### *Loans, Guarantees and other Commitments*

## **9. Responsibility of Office under Part III**

The Office shall advise and assist the Minister in implementing this Part.

## **10. Interpretation in Part III**

(1) In this Part -

"agent", for the purposes of this Part, means an agent appointed in terms of section 29 (1) (b);

"cancelled" in relation to bonds or stock, means cancelled in terms of [section 36 \(3\)](#);

"designated corporate body" means any corporate body or company referred to in paragraph (a) or (b) of the definition of "[public entity](#)" in the which is designated or deemed to be designated in terms of [section 39](#) of the Public Finance Management Act;

"registrar" means a person appointed in terms of section 29(b) for the registration of bonds and stock;

"sinking fund" means a sinking fund established in terms of [section 33](#);

"State loan" means a sum of money borrowed in terms of this Part;

"stock" means stock issued in pursuance of this Part.

(2) Any term to which a meaning has been assigned in the Public Finance Management Act shall bear the same meaning when used in this Part.

## 11. Borrowing powers and limit

(1) Subject to [subsection \(3\)](#) and other provisions of this Act, the President may authorise the Minister to borrow a sum of money for purposes stipulated in [section 12](#).

(2) The aggregate of the amounts that may be borrowed in terms of [subsection \(1\)](#) in any financial year by way of loans shall not exceed the limit fixed by National Assembly, which limit the Minister may propose to the National Assembly for approval by resolution or by means of a provision in a Finance Bill:

Provided that the limit fixed in terms of this subsection and section 300 (1) of the Constitution may not result in the total outstanding public and publicly-guaranteed debt as a ratio of the gross domestic product at current market prices exceeding 70 *per centum* at the end of any fiscal year, unless the Minister obtains a resolution of the National Assembly to do so under one or more of the following conditions -

- (a) occurrence of natural disasters or other emergencies requiring exceptional expenditure; or
- (b) where a large investment project in the public sector is deemed by Cabinet to be timely and prudent;  
or
- (c) in case of a general economic slow-down requiring fiscal and monetary stimulus.

(3) The External and Domestic Debt Management Committee shall for each financial year set forth the recommended maximum amount of new Government borrowing and Government guarantees which may be undertaken throughout the year, and the Minister shall take into account the Committee's recommendations when exercising his or her authority given under [subsection \(1\)](#) or making any proposal under [subsection \(2\)](#).

(4) Subject to section 300 of the Constitution, the Minister shall have sole authority to borrow money on behalf of Government by concluding loan agreements, issuing Government securities, or entering into supplier's credit agreements and to issue Government guarantees, in Zimbabwe and in both local and foreign currencies:

Provided that the Minister may, if he or she is satisfied it is in the public interest to do so, and in order to maintain the public debt at sustainable levels, review or revoke any unutilised authorisations.

## 12. Borrowing purposes

The Minister may borrow money in terms of [section 11](#) for the following purposes only -

- (a) to finance national priority infrastructure and productive sector projects with high economic and social impact; provided debt shall only be incurred on projects that can generate sufficient revenues to repay the loan;
- (b) to finance Government budget deficits;
- (c) to maintain a credit balance on the Treasury main account at a level determined by the Minister;
- (d) to provide such Government loans or credits to local authorities, public entities and any other entity referred to in the definition of "[public debt](#)" in [section 2\(1\)](#);
- (e) to honour obligations arising under Government guarantees;
- (f) to refinance outstanding debt or repay a loan prior to its date of repayment;
- (g) to immediately protect, mitigate or eliminate effects caused by a natural or environmental disaster or any other national emergency;
- (h) to replenish international reserves;

- (i) to meet requests by the Reserve Bank to issue Government securities for the sole purpose of supporting monetary policy objectives; and
- (j) to fulfil any other purpose as the National Assembly may by resolution approve.

### **13. Manner of raising State loans**

(1) The Minister may, when so authorised in terms of [section 11](#), borrow money, subject to [subsection \(3\)](#), upon such conditions as he or she may fix.

(2) Prior to borrowing money the Minister shall -

- (a) ensure that it is in the public interest to do so; and
- (b) ensure that it is consistent with Government economic and financial policies and the Medium Term Debt Management Strategy; and
- (c) satisfy himself or herself that the Government has or is likely to have on current projections the financial ability to meet all the obligations under the loan, including future loan payments; and
- (d) consult with the Attorney-General and obtain in writing from the Attorney-General an opinion approving the legal aspects of the loan agreement.

(3) Without derogating from the generality of [subsection \(1\)](#), the Minister may, in terms of that subsection, borrow by way of -

- (a) loans; or
- (b) the issue of bonds or stock; or
- (c) the issue of Treasury bills; or
- (d) an advance or bank overdraft; or
- (e) a combination of any of the above.

### **14. Certain State loans exempt from tax**

The Minister may fix as a condition of a State loan that the capital and the interest payable thereon shall be exempt, either in whole or in part, from all or any particular tax payable in terms of any enactment and, if the Minister does so provide, the capital and the interest payable thereon shall be so exempt:

Provided that the Minister shall not exercise the power conferred by this section in relation to a State loan where the capital is represented by securities that are registered in Zimbabwe unless the National Assembly has, by resolution, approved the exercise of such power in relation to that particular State loan.

### **15. Proceeds of State loans**

The proceeds of all State loans shall be brought to account in the Consolidated Revenue Fund or, if the Minister so directs, in the National Development Fund established as a fund in terms of [section 18](#) of the Public Finance Management Act.

### **16. Security for State loans and guarantees and expenses in connection therewith**

All State loans and guarantees and expenses or charges incurred thereon or in connection therewith shall be secured and charged upon the assets and general revenues of Zimbabwe, and all such securities shall rank equally without priority.

### **17. Repayment of State loans and payment of expenses in connection therewith**

The Minister shall, as circumstances require, pay from the Consolidated Revenue Fund, which is hereby appropriated to the purpose, moneys required to repay any State loan and any expenses or charges incurred thereon or in connection therewith.

### **18. Signing of loan agreements**

(1) The Minister may, on such conditions as he or she may determine -

- (a) authorise in advance and in writing, a public officer to sign a State loan agreement when the Minister borrows money in terms of [section 23](#);
- (b) appoint registrars, agents and any other persons necessary for the raising, issuing, management and repayment of State loans or for the doing of any act which, in terms of this Act or any agreement relating to a State loan, may or shall be done by the Minister, registrar, agent or such other person;
- (c) authorise, the Reserve Bank in its capacity as the banker of the State, to act as agent of the State in the repayment of interest and principal and also in the issuance of Government securities in repayment of the public debt.

(2) Within sixty days after Government has concluded a loan or guarantee agreement, the Minister must cause its terms to be published by notice in the *Gazette*.

## 19. Repayment, conversion and consolidation of loans

The Minister may, on such terms and conditions as he or she may determine, and, when necessary, with the concurrence of the lender -

- (a) repay any State loan prior to the redemption date of that loan; or
- (b) convert the State loan into any other loan; or
- (c) consolidate two or more State loans into an existing or new State loan; or
- (d) convert the State loan into equity or other securities held by the State.

## 20. Power to give guarantees

(1) The Minister may, subject to this Part, in such manner and upon such conditions as he or she thinks fit on advice of the Committee and the Office, guarantee the repayment of the capital of, and the payment of expenses or charges incurred on or in connection with -

- (a) any indebtedness or other financial obligation raised, incurred or established, as the case may be, inside or outside Zimbabwe by a person approved by the Minister for purposes which will, in the opinion of the Minister, promote employment or the development of natural resources or the tourist industry or are otherwise in the public interest or in the interest of the economy of Zimbabwe; or
- (b) any indebtedness or other financial obligation raised, incurred or established, as the case may be, outside Zimbabwe for the purposes of the trustee of the District Development Fund Act [*Chapter 29:06*] or a designated corporate body referred to in paragraph (a) of the definition of "[public entity](#)" in [section 2](#) of the Public Finance Management Act, or a local authority.

(2) Without derogating from the generality of [subsection \(1\)](#), the Minister may, in fixing the conditions of a guarantee in terms of [paragraph \(a\)](#) and [\(b\)](#) of that subsection, require the debtor to provide for all or any of the following matters -

- (a) appropriating and duly applying the moneys or other benefits concerned for the purpose or purposes approved by the Minister in terms of [subsection \(1\) \(a\)](#) or [\(b\)](#), as the case may be;
- (b) charging on the general income and assets of the debtor or any other income or assets which may be available for the purpose, the capital of the indebtedness or other financial obligation concerned and any interest charges or other expenses incurred or accrued therein or in connection therewith, and the repayment to the Consolidated Revenue Fund of any amount paid in terms of [section 21 \(a\)](#);
- (c) raising or securing the raising of sufficient money to meet the liabilities referred to in [paragraph \(b\)](#).

(2) The aggregate of the amounts that may be guaranteed in terms of [subsection \(1\) \(a\)](#) and [\(b\)](#) in any financial year in respect of indebtedness or other obligations raised, incurred or established, as the case may be, shall not exceed the limit fixed by National Assembly, which limit the Minister may propose to the National Assembly for approval by resolution or by means of a provision in a Finance Bill:

Provided that the limit fixed in terms of this subsection may be exceeded in any financial year if the Minister obtains the authority of a resolution of the National Assembly to do so.

(3) Prior to issuance of loan guarantees, the Office shall conduct or cause to be conducted a due diligence audit on the capacity of the beneficiary to repay the loan.

(4) The Minister may prescribe any fees that may be payable by a beneficiary of a Government loan guarantee, including fees payable on the fulfilment of a guarantee.

(5) The beneficiary of a loan guarantee shall reimburse or pay Government, as the case may be, in such manner as the Minister shall direct -

- (a) all moneys paid by Government to fulfil the guarantee; and
- (b) all expenses incurred by Government in relation to the guarantee; and
- (c) interest on all moneys paid by Government to fulfil the guarantee; and
- (d) any fees prescribed under [subsection \(4\)](#).

(6) Any liability of the State in connection with a guarantee shall be secured and charged upon the assets and general revenues of Zimbabwe and all such securities shall rank equally without priority.

## **21. Payments in connection with guarantees**

The Minister shall -

- (a) as circumstances require, pay from the Consolidated Revenue Fund, which is hereby appropriated to the purpose, moneys required to be paid in connection with a guarantee; and
- (b) pay into the Consolidated Revenue Fund -
  - (i) any sum received by way of repayment of any money paid in terms of [paragraph \(a\)](#); and
  - (ii) any fees paid in connection with a guarantee.

## **22. Borrowing by local authorities and public entities**

(1) A local authority may borrow funds -

- (a) only within Zimbabwe; and
- (b) subject to [subsection \(3\)](#), only up to such limit as prescribed by the Minister under [subsection \(2\)](#); and
- (c) upon obtaining a prior resolution of the council, board or other governing body of the local authority to do so.

(2) The Minister shall after consultation with the Minister responsible for Local Government prescribe an annual borrowing limit for each local authority based on its capacity to repay and such other considerations as the Minister may determine.

(3) A local authority intending to borrow above the prescribed threshold shall, upon obtaining a prior resolution of the council, board or other governing body of the local authority to that effect, obtain prior approval from the Minister through the Minister responsible for Local Government to do so.

(4) A public entity may borrow funds within Zimbabwe up to such a limit as the Minister may determine after consultation with the Minister responsible for the public entity concerned.

(5) A local authority or a public entity shall submit to the Office a record of its borrowing no later than ten working days from the date of signing of a loan agreement, or obtaining an overdraft, as the case maybe, and shall submit monthly, quarterly and annually to the Office data on its total outstanding debt.

(6) All borrowings of a local authority or a public entity shall be subject to the prior approval of the Minister and relevant Minister responsible for that particular local authority or public entity, as the case maybe.

(7) A local authority or a public entity that procures government guarantees or on-lending facilities shall furnish the Office with its annual accounts and any reports and documents as may be required by the Office during the subsistence of such guarantee or on lending.

(8) In this section "local authority" includes a local authority as defined in section 332 of the Constitution.

## **23. Restrictions on borrowing, guarantees and other commitments**

(1) A public entity that is designated or specified in terms of [section 39](#) of the Public Finance Management Act shall not borrow money or issue a guarantee, indemnity or security, or enter into any other transaction that binds or may bind that entity or the Consolidated Revenue Fund to any future financial commitment, unless such borrowing, guarantee, indemnity, security or other transaction -

- (a) is authorised in accordance with this Act; and
- (b) in the case of public entities referred to in paragraphs (a) and (c) of the definition of "[public entity](#)" in [section 2](#) of the Public Finance Management Act, is also authorised by the enactment which establishes or governs it, so long, however, as the applicable provisions relating to this Act are complied with.

(2) The Government may only through the following persons borrow money, or issue a guarantee, indemnity



or security, or enter into any other transaction that binds or may bind the Consolidated Revenue Fund to any future commitment -

- (a) the Minister; or
- (b) in the case of the issue of a guarantee, indemnity or security, the appropriate Minister acting with the concurrence of the Minister in terms of [section 20](#).

(3) A public entity referred to in [subsection \(1\)](#) may only through the following persons borrow money, or issue a guarantee, indemnity or security or enter into any other transaction that binds or may bind that public entity to any future financial commitment -

- (a) in the case of a public entity referred to in paragraph (a) of the definition of "public entity" in [section 2](#) of the Public Finance Management Act, the accounting authority for that public entity;
- (b) in the case of a public entity referred to in paragraph (b) of [lie definition of "public entity" in [section 2](#) of the Public Finance Management Act, the accounting authority for that public entity, subject to any conditions the Minister may impose;
- (c) in the case of any other public entity, the appropriate Minister, with the concurrence of the Minister in terms of [section 18](#).

(4) The Minister may, in writing, permit a public entity referred to in [subsection \(3\)\(c\)](#) or a constitutional entity to borrow money for operational expenses up to a prescribed limit, including a temporary bank overdraft, subject to such conditions as the Minister may impose.

(5) A person mentioned in [subsection \(2\)](#) or [\(3\)](#) shall not delegate a power conferred in terms of that subsection, except with the prior written approval of the Minister.

(6) A public entity authorised to borrow money in terms of [subsection \(3\)](#) -

- (a) shall annually submit to the Minister through the Office a borrowing programme for the year; and
- (b) may not borrow money in a foreign currency above a prescribed limit, except when that public entity is a company in which the State is the sole shareholder.

## **24. Consequences of unauthorised transactions and how to exclude them**

If a person, otherwise than in accordance with [section 23](#), lends money to a Ministry, public entity, constitutional entity or statutory fund to which the Public Finance Management Act and this Act applies, or purports to issue on behalf of such a Ministry, public entity, constitutional entity or statutory fund a guarantee, indemnity or security, or enters into any other transaction which purports to bind such Ministry, public entity, constitutional entity or statutory fund to any future financial commitment, the State and that Ministry, public entity, constitutional entity or statutory fund shall not be bound by the lending contract or the guarantee, indemnity, security or other transaction:

Provided that any person wishing to -

- (a) lend money to a Ministry, public entity, constitutional entity or statutory fund; or
- (b) enter into any guarantee, indemnity, security or other transaction purporting to bind such Ministry, public entity, constitutional entity or statutory fund to any future financial commitment;

may, through the Minister, obtain the written opinion of the Attorney-General on the question whether such lending, indemnity, guarantee, security or transaction has been entered into in accordance to [section 23](#), and such opinion shall be conclusive of the question whether it is so compliant or not.

## **25. Minister to be exempt from certain obligations**

The Minister or a registrar or agent shall not be under any obligation as regards the due fulfilment of a trust, whether express, implied or constructive, to which bonds, stock or Treasury bills may be subject, notwithstanding that the Minister, registrar or agent has had notice that the bonds, stock or Treasury bills are held subject to the trust.

## **26. Registrar to make entries necessary to give effect to court orders**

A registrar shall, upon being served with an order of a court of competent jurisdiction which relates to a bond or stock or has the effect of vesting a bond or stock in a person, make all entries in the appropriate register which it is necessary to make for the purpose of giving effect to the order.

## **27. Forgery of securities**

- (1) Any person who -
  - (a) forges a bond, stock certificate or Treasury bill; or
  - (b) makes use of or attempts to make use of a forged bond, stock certificate or Treasury bill with intent to defraud;

shall be guilty of an offence and liable to a fine not exceeding level fourteen or to imprisonment for a period not exceeding twenty years or to both such fine and such imprisonment.

(2) For the purposes of [subsection \(1\)](#), a person shall be deemed to forge a bond, stock certificate or Treasury bill if he or she -

- (a) makes a false bond, stock certificate or Treasury bill; or
- (b) falsifies a genuine bond, stock certificate or Treasury bill, whether by alteration, addition, effacement or otherwise;

knowing it to be false with the intention that it shall be used or acted upon as genuine, whether within Zimbabwe or not, and any bond, stock certificate or treasury bill so made or falsified shall be deemed to be forged.

## **28. Other powers of Minister**

- (1) The Minister may -
  - (a) establish registries for the registration of bonds or stock;
  - (b) appoint registrars, agents and any other persons necessary for the raising, issuing, management and repayment of State loans or for the doing of any act which, in terms of this Act or any agreement relating to a State loan, may or shall be done by the Minister, registrar, agent or such other person;
  - (c) make arrangements for -
    - (i) the conversion and replacement of securities issued in terms of this Act or a repealed law; or
    - (ii) the payment of interest on State loans;
  - (d) fix the fees and charges which shall be payable for the giving of a guarantee or the performance of services for which provision is made under this Act;
  - (e) provide for any other matter which, under this Act or any agreement relating to a State loan, is necessary or convenient to be provided for.

## **29. Disclosure of information concerning loans and guarantees**

(1) Where a guarantee is given the Minister shall lay before the National Assembly a statement relating to that guarantee on any of the first seven sittings when the National Assembly first sits after the guarantee is first given under [section 23 \(2\)](#).

(2) If disclosure of a guarantee in terms of [subsection \(1\)](#) is, in the opinion of the Minister, likely to pose a threat to the national interest, the Minister shall lay the statement referred to in [subsection \(1\)](#) before the Public Accounts Committee, with the stipulation that no disclosure of the statement be made by the Public Accounts Committee or any member thereof without the written leave of the Minister.

## **30. Monthly, quarterly and annual reports on loans and guarantees**

(1) Annual and monthly reports on guarantees that are required to be prepared in terms of [subsection \(3\)](#) shall list the guarantees given in terms of [section 23 \(2\) \(b\)](#) granted during the financial year or during a particular month and the cumulative national position regarding the guarantees.

(2) Monthly and annual reports on State loans that are required to be prepared in terms of [subsection \(3\)](#) shall disclose information on the loans obtained in the respective year and month, the loans that have been repaid during that year and month and the total amount of loans outstanding at the end of that year or month.

(3) The Office shall prepare the annual and monthly reports referred to in [subsections \(1\) and \(2\)](#), together with a quarterly report thereon, and shall submit such reports to the Secretary and the Accountant-General within thirty days of the respective month, quarter or year concerned.

(4) The reports referred to in [subsection \(3\)](#) shall be laid before the National Assembly at least hi-annually by the Minister within sixty days of the end of the period concerned.

### 31. Interest and repayment of loans to be direct charges

The following payments in connection with loans shall be direct charges against the Consolidated Revenue Fund -

- (a) the repayment of money borrowed by the Minister in terms of this Part; and
- (b) the interest payable on money so borrowed; and
- (c) any cost associated with such borrowing and approved by the Treasury.

### 32. Establishment of sinking funds

The Minister, in the case of a State loan raised by means of the issue of bonds or stock -

- (a) for a period of six years or more, shall, unless he or she is satisfied that arrangements for the repayment of the State loan are such as not to require the establishment of a sinking fund, establish a sinking fund;
- (b) for a period of less than six years, may establish a sinking fund; for the purpose of redeeming the State loan.

### 33. Trustees for sinking funds

(1) For the administration of a sinking fund the Minister shall appoint trustees upon whom he or she shall, subject to this Part, confer and impose such functions as he or she may consider expedient.

(2) The Minister may at any time after giving reasonable notice in writing to the trustee or trustees concerned -

- (a) vary the functions of a trustee; or
- (b) remove a trustee from office; or
- (c) in the event of the removal from office, death or retirement of a trustee, appoint a trustee in his or her place; or
- (d) appoint additional trustees.

### 34. Payment into sinking funds

(1) The Minister shall pay to the trustees of each sinking fund in each financial year for the benefit of the fund such amount as he or she may determine, which shall not be less than -

- (a) one and one-half *per centum* of the nominal value of the bonds or stock issued in connection with the State loan for which the sinking fund was established; and
- (b) in the case of bonds or stock issued in connection with the State loan for which the sinking fund was established which have been cancelled, a sum equal to the interest which would have been payable had the bonds or stock not been cancelled.

(2) Payments into a sinking fund in terms of [subsection \(1\)](#) shall be made out of the Consolidated Revenue Fund, which is hereby appropriated to the purpose.

### 35. Application of moneys in sinking funds

(1) All moneys received by the trustees of a sinking fund, whether paid in terms of [section 34](#) or arising by way of investment or otherwise, shall -

- (a) until required in terms of [subsection \(4\)](#), be invested in bonds, stock or Treasury bills or stock issued by a local authority or designated corporate body referred to in paragraph (a) of the definition of "public entity" in [section 2](#) of the Public Finance Management Act; or
- (b) be used to purchase, at the earliest favourable opportunity in the opinion of the trustees, the bonds or stock issued in connection with the State loan for which the sinking fund was established.

(2) The trustees of a sinking fund may vary any investment made in terms of [subsection \(1\)\(a\)](#).

(3) Bonds or stock purchased by the trustees in terms of [subsection \(1\)\(b\)](#) shall be cancelled and not re-issued.

(4) When moneys held by trustees of a sinking fund and investments for the time being representing those

moneys are required for the purpose of redeeming the bonds or stock issued in connection with the State loan for which the sinking fund was established, the trustees shall deliver the moneys and investments to the State for that purpose.

## PART IV

### *General*

#### **36. Reporting to Parliament**

(1) At least twice a year, the Minister shall furnish Parliament with a report on Government debt management activities, guarantees and lending.

(2) The report shall be inclusive of the following -

- (a) information on how the debt management strategy has been implemented over the course of the financial year;
- (b) bi-annual reporting of debt management activities covering an evaluation of outcomes against the debt management objectives;
- (c) a list of all guarantees issued by Government including a classification of guarantees according to their probability of being called in;
- (d) a list of all outstanding borrowings and related debt service projections including classification of the loans by Government, public entities and local authorities.

(3) The Minister shall at the same time as the estimates of revenue and expenditure are laid before the National Assembly, table in Parliament a comprehensive statement of the public debt.

(4) The Minister shall ensure that all external loans contracted under this Act will be subject to ratification by Parliament in accordance with the Constitution.

#### **37. Audit**

(1) The Office shall be audited annually by the Auditor-General's Office as a public entity in accordance with the Public Finance Management Act and the Audit Office Act [*Chapter 22:18*] (No. 12 of 2009).

(2) The audit shall cover value for money, performance and information technology systems.

(3) The Office shall ensure that any issues for action by it raised by an audit are addressed in a timely fashion.

#### **38. Regulations**

The Minister may make regulations prescribing all matters which by this Act are required or permitted to be prescribed or which, in his or her opinion, are necessary or convenient to be prescribed for carrying out or giving effect to this Act, including (but not limited to) -

- (a) the procedures and processes necessary for debt issuance and management;
- (b) the manner in which, and the conditions subject to which, monies may be raised and repaid, including the payment of interest on the monies;
- (c) the issuance of guarantees, including the terms and conditions subject to which guarantees may be given;
- (d) the fees payable for any service performed by the Office in terms of this Act for or on behalf of any local authority or public entity.

#### **39. Amendment of Cap. 22:19**

The Public Finance Management Act is amended -

- (a) in the long title by the deletion therefrom of "to provide for the raising, administration, and repayment of loans by the State and for giving of guarantees in respect of certain loans";
- (b) in [section 2](#) ("interpretation") by the repeal of the definitions of "[agent](#)" "cancelled"; "sinking fund"; "State loan" and "stock";

- (c) by the repeal of Part VI ("Loans, Guarantees and Other Commitments").

#### 40. Amendment of Cap. 22:20

The Sovereign Wealth Fund of Zimbabwe Act [*Chapter 22:20*] (No.7 of 2014) is amended -

- (a) in [section 2](#) ("Interpretation") in the definition of "joint venture agreement" by the deletion of "private party" wherever it occurs and the substitution of "counterparty";
- (b) in [section 6](#) ("Composition of Board")(1) -
- (i) in [paragraph \(a\)](#) by the deletion of "who shall be *ex officio* members of the Board";
- (ii) in [paragraph \(b\)](#) -
- (A) in subparagraph (iv) by the deletion of "of the Government or";
- (B) by the repeal of subparagraph (v), paragraph (vi) thereby becoming paragraph (v).
- (c) in [section 15](#) ("Segregated accounts of Fund") (1) (a) by the deletion of "General Investment Sub-Fund" and the substitution of "Future Generations Sub-Fund";
- (d) in [section 23](#) ("Withdrawals from Fund for State benefit") (1) by the deletion of "private party" and the substitution of "counterparty (whether alone or together with other counterparties)".

## PUBLIC DEBT MANAGEMENT ACT CHAPTER 22:21

### INDEX TO SUBSIDIARY LEGISLATION

#### REGULATION

[S.I. No. 79 of 2019](#)

Public Debt Management Regulations

#### REGULATION

### S.I. No. 79 of 2019: Public Debt Management Regulations

(Section 38)

#### ARRANGEMENT OF REGULATIONS

- [1.](#) Title.
- [2.](#) Interpretation.
- [3.](#) Operations and procedures for the External and Domestic Debt Committee (EDDC).
- [4.](#) Technical EDDC working party.
- [5.](#) Guidelines for raising loans, securities and issuing guarantees.
- [6.](#) General principles for guarantees and on-lending.
- [7.](#) Assumption of the guarantee in case of default.
- [8.](#) Procedure for debt assumption.
- [9.](#) Issuance of guarantees.
- [10.](#) On-lending.
- [11.](#) Borrowing power certificate.
- [12.](#) Public Debt Management Office.
- [13.](#) Front Office.
- [14.](#) Middle Office.
- [15.](#) Back Office.
- [16.](#) Monitoring and reporting of loans.
- [17.](#) Reporting requirements on public debt.
- [18.](#) Interpretation.
- [19.](#) Establishment and composition.

## 1. Title

These regulations may be cited as the Public Debt Management Regulations, 2019.

## 2. Interpretation

In these regulations-

**"External and Domestic Debt Committee"** or **"EDDC"** means the Committee constituted in terms of section 7 of the Act;

**"on-lending"** means when an organisation lends money that they have borrowed from another organisation or person;

**"Medium Term Debt Strategy report"** means a report based on the strategy made in terms of section 9 of the Act;

**"Minister"** means the Minister responsible for Finance;

**"Secretariat"** means the Public Debt Management Office in its function as secretariat to the EDDC in terms of section 7 of the Act.

## 3. Operations and procedures for the External and Domestic Debt Committee (EDDC)

In performing the functions in terms of section 7 of the Act, the EDDC shall consider the following reports-

- (a) Medium Term Debt Strategy Report;
- (b) Debt Sustainability Analysis Report;
- (c) Annual Borrowing Plan;
- (d) Issuance Calendar;
- (e) Debt Portfolio and Risk Analysis Report;
- (f) Public Debt Statistical Bulletin;
- (g) Bi-annual Parliament Reports; and
- (h) any other report as may be required.

## 4. Technical EDDC working party

(1) The EDDC shall be aided by a technical EDDC working party, which shall be chaired by the Public Debt Management Office.

(2) The mandate of the EDDC working party is to advise the EDDC on all issues related to debt management operations and undertake any other assignments as may be requested by the EDDC and the Minister.

(3) The functions of the EDDC working party shall be to-

- (a) review all borrowing, securities, guarantee and on-lending proposal and recommend to the EDDC; and
- (b) review negotiation strategy on all loans, securities, guarantees and on-lending requests; and
- (c) review the following reports before submission to EDDC-
  - (i) Medium Term Debt Strategy Report,
  - (ii) Debt Sustainability Analysis Report,
  - (iii) Annual Borrowing Plan,
  - (iv) Issuance Calendar,
  - (v) Debt Portfolio and Risk Analysis Report,
  - (vi) Public Debt Statistical Bulletin,

- (vii) Bi-annual Public Debt Report to Parliament, and
- (viii) any other reports or documents related to debt management.

(4) The members of the technical EDDC working party shall consist of members from the following departments and offices-

- (a) the Public Debt Management Office, who shall be the chair;
- (b) Accountant General's Office;
- (c) Financial and Capital Markets;
- (d) International Cooperation;
- (e) Fiscal Policy and Advisory Services;
- (f) budgets;
- (g) revenue;
- (h) Public Sector Investment Programmes;
- (i) Legal Services Department;
- (j) the Financial Markets Division; Exchange Control Division; and Economic Research Division of the Reserve Bank of Zimbabwe; and
- (k) the Civil, Legal Advice and Legislative Drafting Divisions of the Attorney General's Office.

(5) The members from the Public Debt Management Office shall perform the duties of the secretariat to the technical EDDC working party.

(6) The technical EDDC working party may invite any other person or persons, whose expertise may be required, to attend any meeting of the Working Party and to take part in the deliberations of the meeting.

(7) The working party shall meet at least monthly or as and when required.

(8) A Quorum shall comprise of two-thirds of the members of the working party.

(9) The Minister shall seek nominations from the departments listed in [subsection \(4\)](#) and *Gazette* the names of the officers who will consist the technical EDDC working party.

(10) Members appointed in terms of [subsection \(4\)](#) shall hold office for a renewable period of three years.

## **5. Guidelines for raising loans, securities and issuing guarantees**

(1) Any line ministry or public entity that intends to benefit from borrowed resources in the form of a loan, security or guarantee shall be required to submit to Treasury, their annual borrowing plan for inclusion into the National Budget and Government's Annual Borrowing Plan before the initiation of the Budget formulation process in line with priorities in the National Development Plan and those provided for in section 12 of the Act.

(2) All borrowings for the following fiscal year, external or domestic, referred to in [subsection \(1\)](#), shall be submitted to the Public Sector Investment Programs and the Public Debt Management Office in July or mid-fiscal year for approval by the EDDC.

(3) Any proposal or project request for a loan, security or guarantee submitted by any public entity and local authority shall be submitted with approval by their respective line Ministers.

(4) All borrowing requests in terms of this section, shall be accompanied with relevant documentation which shall include the following-

- (a) application for the borrowing;
- (b) feasibility study or viability report;
- (c) audited annual financial statements for at least three years;
- (d) projected cash flows impact arising from the project;
- (e) repayment plan;
- (f) own contribution where applicable;
- (g) project implementation schedule;
- (h) Board resolution;
- (i) approval by the relevant Minister;

(j) such other information as may be required.

(5) Upon receipt of relevant documents, the Chairperson shall convene a technical EDDC working party meeting to analyse requests or proposals and make recommendations to the EDDC.

(6) Assessments to be made in terms of [subsection \(5\)](#) shall be done and concluded three months (in August or September of each year) prior to the announcement of the National Budget.

(7) The technical EDDC working party, shall before any recommendation for contracting a new loan is submitted to the EDDC, ensure that-

- (a) assessment is based on project priorities outlined in the country's economic development plan;
- (b) the final approved loans and guarantees do not exceed the annual borrowing ceiling for that fiscal year consistent with the Medium Term Debt Strategy and borrowing plan;
- (c) the overall increase in debt is in line with the total Debt Sustainability Analysis parameters and in accordance with the provisions of the Act.

(8) The Chairperson shall convene a meeting of the EDDC in order to discuss the proposals and recommendations as submitted by the technical EDDC working party and thereafter the EDDC shall recommend to the Minister.

## **6. General principles for guarantees and on-lending**

(1) For any guarantee or on-lending that shall be issued in accordance with section 20 of the Act, the following conditions shall apply-

- (a) that the public entity for whose benefit such guarantee or on-lending is given, demonstrates to the satisfaction of the Minister, that the project is viable and it has provided proof of other resources to cover the loan in the event of default;
- (b) that in the case of default, the guaranteed or on-lending terms and conditions shall apply.

(2) The following risks shall not be covered by the guarantee-

- (i) imposition of restrictions by the government of a lender country or any government action, which may block or cause the delay of transfer of payment made by the borrower,
- (ii) war, revolution or civil disturbances in a lender country,
- (iii) exchange rate fluctuations,
- (iv) failure by the borrower to fulfil terms of a loan agreement due to a lender's inability to disburse funds on agreed terms,
- (v) causes inherent in the nature of goods e.g. perishables,
- (vi) loss or damage to goods, occasioned by events of *force majeure*, which can be covered by general insurers, and
- (vii) procurement and delivery of obsolete equipment.

(3) Notwithstanding these regulations relating to conditions for on-lending well as issuance of guarantees the Minister may, in exercising his or her powers under the Act, impose any other conditions or requirements that are of national interest.

## **7. Assumption of the guarantee in case of default**

(1) Any event of default by the borrower shall be reported by the lender to the guarantor within 60 days from the date of establishment of the default.

(2) The guarantor shall honour the default claim after the Public Debt Management Office has assessed the circumstances of the default and is satisfied with the extent of due diligence exercised by the borrower.

(3) The beneficiaries of guarantees shall reimburse Government, all costs (principal, interest, penalties, expenses, fees) incurred by Government in case of default.

## **8. Procedure for debt assumption**

(1) Before an assumption of debt is considered an assessment and due diligence on the circumstances of default must be conducted in conjunction with the responsible Ministry.

(2) The Minister responsible for the public entity shall get Cabinet approval for the debt assumption.



(3) The Minister responsible for the public entity shall submit a request to the Ministry of Finance for the debt assumption.

(4) The Ministry of Finance shall draft the principles of a Bill and submit to the Office of the Attorney-General for due process until enactment.

## **9. Issuance of guarantees**

(1) In Issuing guarantees-

- (a) the EDDC shall recommend limits on guarantees (including portfolio limits, sector limits, entity specific limits based on risk assessment) to the Minister;
- (b) the National Assembly will approve limits on guarantees upon recommendations from the Minister;
- (c) the Public Debt Management Office will carry out cost-benefit analysis of issuing a guarantee or on-lending and advise on the preferred option;
- (d) beneficiaries shall provide the following-
  - (i) proposed term sheets,
  - (ii) audited annual financial statements for at least previous three years,
  - (iii) projected cash flows, including the impact of the guaranteed loan,
  - (iv) feasibility studies on projects to be funded with the loan,
  - (v) Board/council resolutions,
  - (vi) approval from the line ministry where applicable.

(2) During the life of the guarantee, the project shall be subjected to-

- (a) annual internal and external audits;
- (b) monitoring by independent consultants where applicable depending on the nature and magnitude of the project;
- (c) monitoring and evaluation done jointly by the line ministry and the Ministry of Finance.

(3) Beneficiaries of a debt shall provide relevant information on use of funds, disbursements, accounting, and degree of implementation of the project financed, and conduct regular consultations with Public Debt Management Office.

(4) Treasury shall charge fees on all guarantees based on the risk scale of each entity.

(5) Public Debt Management Office shall monitor the performance of guarantees, advising and ensuring that beneficiaries repay guaranteed loans.

(6) The beneficiaries of guarantees shall reimburse Government, all costs (principal, interest, penalties, expenses, fees) incurred by Government in case of default.

## **10. On-lending**

(1) The Government will extend on-lending funding to promote projects that are of national priority.

(2) The EDDC shall recommend on-lending limits (including portfolio limits, sector limits, entity specific limits based on risk assessment) to the Minister.

(3) The National Assembly will approve limits on on-lending upon recommendations from the Minister.

(4) Public Debt Management Office shall perform a cost-benefit analysis of beneficiaries on on-lending in liaison with the Accountant-General.

(5) Where on-lending is to be provided beneficiaries shall provide following-

- (a) audited annual financial statements for at least previous three years;
- (b) projected cash flows, including the impact of the on-lent loan;
- (c) feasibility studies on projects to be funded with the loan;
- (d) Board or council resolutions;
- (e) approval from the line ministry where applicable.

(6) During the life of the on-lending, the project shall be subjected to annual internal and external audits, monitored by independent consultants, and monitoring and evaluation done jointly by the line ministry and the lender.

(7) On-Lending may be extended at adjusted terms and conditions (including an on-lending fee, adjusted term sheets from the original lender, etc.).

(8) Beneficiaries shall provide relevant information on use of funds, accounting, and degree of implementation of the project financed.

(9) The beneficiaries of on-lending shall reimburse Government, all costs (principal, interest, penalties, expenses, fees) incurred by Government in case of default.

## **11. Borrowing power certificate**

(1) Before issuing borrowing powers to public entities that are to promote projects that are of national priority, beneficiaries shall provide-

- (a) proposed term sheet;
- (b) audited annual financial statements for at least previous three years;
- (c) projected cash flows, including the impact of the loan;
- (d) Board or council resolutions;
- (e) approval from the line ministry.

(2) The beneficiaries shall provide the relevant information on use of funds, accounting, and degree of implementation of the project financed.

(3) Signed loan agreements shall be submitted to the Public Debt Management Office within 10 days after concluding a loan agreement.

## **12. Public Debt Management Office**

The Public Debt Management Office is the principal agent in charge of undertaking debt management activities in Zimbabwe. The Debt Management Office functions shall be undertaken by the Front, Middle and Back Office in liaison with other departments in the Ministry as well as the Attorney-General's Office, Auditor-General and the Reserve Bank of Zimbabwe and in coordination with line ministries, public entities and other stakeholders.

## **13. Front Office**

(1) The Front Office shall be responsible for mobilisation of resources (both external and domestic), which include contracting loans, on-lending, issuing guarantees, treasury bills, bonds, other government securities and other operations related to debt contraction.

(2) The specific functions shall be to-

- (a) prepare and publish an issuance calendar of Government securities in line with the annual borrowing plan;
- (b) initiate and participate in all negotiations with creditors in the contraction of public and publicly guaranteed debt;
- (c) process any documentation relating to domestic and external loans, guarantees, on-lending, borrowing power certificates and any commitment agreements for approval by the Minister;
- (d) offer advice on government policy initiatives to foster the development of primary and secondary domestic debt markets;
- (e) ensure that all conditions precedent for a loan effectiveness are met;
- (f) participate in the debt re-negotiation, debt re-structuring of external loans;
- (g) continuous monitoring and reporting of market conditions, including analysis of the potential investor base;
- (h) managing investor relations;
- (i) continuously reviewing projections of funding needs (in liaison with the middle office or budgets or fiscal unit) and giving input on implications for a funding strategy.
- (j) development of new debt instrument(s); and

- (k) communicating with the issuing agent for government securities.

#### 14. Middle Office

(1) The Middle Office shall be responsible for all the analytical, reporting and risk management functions of debt management that enable government to meet its financing needs and its debt service obligations, at the lowest possible cost, with a prudent degree of risk exposure, as well as development of the domestic debt market. It also monitors compliance of Public Debt Management Office and public entities' performance on the chosen strategy and risk and cost limits.

(2) The specific functions shall be-

(a) debt strategy and policy making-

- (i) develop the Annual Borrowing Plan that is consistent with the MTDS in liaison with the front office,
- (ii) develop policies for management of other risks with fiscal implications,
- (iii) participate and support development of the DSA,
- (iv) formulate policies for debt management, on-lending, government guarantees, other contingent liabilities,
- (v) prepare guidance debt-issuance,
- (vi) analysis on the suitability of new products (instruments), and
- (vii) conduct debt management research;

(b) portfolio risk monitoring and analysis-

- (i) develop and monitor cost and risk indicators of the debt portfolio in liaison with the macro-fiscal units,
- (ii) monitor, review and report performance against the MTDS targets and annual borrowing plan,
- (iii) monitor and assess contingent liabilities and other government balance sheet exposures, and compare with policy and guidelines established for these potential liabilities,
- (iv) participate in developing policy on liability management,
- (v) provide the secretariat function for the EDDC,
- (vi) recommend borrowing limits for public entities, taking into account their risk profile and borrowing plans,
- (vii) undertake Risk Assessment through Debt Portfolio and Sensitivity Analyses,
- (viii) assessment, analysis and monitoring performance of guarantees and on-lending, including proposals in the determination of risk-based fees;

(c) reporting-

- (i) coordinate and clear all external communications,
- (ii) publish the MTDS and ABP,
- (iii) publish information on the external and domestic government debt position and debt servicing costs on a regular basis,
- (iv) report on changes in outstanding guarantees,
- (v) develop debt bulletins,
- (vi) produce biannual reports to Parliament,
- (vii) produce an annual review of activity and progress against objectives,
- (viii) develop and manage relationships with Rating Agencies and coordinate with all Government line ministries and agencies,
- (ix) develop and maintain an investor relations program, in coordination with the Front Office.

(d) Control measures and managing operational risk-

- (i) develop and maintain an operational risk management framework,
- (ii) set limits and controls for domestic and external debt management operations,
- (iii) ensure compliance of public debt management policies and limits,

- (iv) maintain a register on operational risks.

## **15. Back Office**

(1) The Back Office shall be responsible for maintaining a comprehensive debt database that is complete, accurate and consistent.

(2) The specific functions shall be-

(a) debt recording and disbursement-

- (i) recording of all loan agreements,
- (ii) store copies of all loan agreements and other debt related documents,
- (iii) recording of all called-up guarantees and on-lending,
- (iv) recording and monitoring of loans, on-lending and guarantees,
- (v) manage Service Level Agreement with the RBZ on debt related transactions,
- (vi) keep timely, comprehensive and accurate records of outstanding public debt, guarantees and on-lending, in a computerised database,
- (vii) validate and reconcile debt data as per the data validation calendar,
- (viii) compile, verify and report on all public and publicly guaranteed debt,
- (ix) prepare forecasts on public and publicly guaranteed disbursements,
- (x) initiate and request for disbursements and on-lending, and follow-up disbursement applications and advices;

(b) debt settlement-

- (i) compile data on all debt servicing obligations of the Government, local authorities and public entities,
- (ii) produce maturity profile of all existing debt for different stakeholders,
- (iii) monitor repayments from called-up guarantees and on-lending, in liaison with Accountant-General,
- (iv) validate and reconcile debt data as per the data validation and reconciliation calendar,
- (v) prepare forecasts on public and publicly guaranteed debt servicing,
- (vi) initiate debt servicing;

(c) IT Services-

- (i) maintain and administer a secure computerised debt management information system,
- (ii) manage back-ups and disaster recovery,
- (iii) manage interface and integration of debt management system with other information systems, and
- (iv) maintenance of debt management ICT infrastructure.

## **16. Monitoring and reporting of loans**

(1) Public Debt Management Office in liaison with other monitoring and evaluation units shall monitor and evaluate the implementation of debt funded projects.

(2) For the purpose of monitoring disbursements and utilisation of loans, as provided for in section 5 (n) of the Act, the Project Managers of respective line ministries shall be required to submit monthly reports to the Public Debt Management Office, on the following-

- (a) actual and projected loan disbursement;
- (b) utilisation of loans, by item;
- (c) repayment status for loans and guarantees;
- (d) impact assessment and performance against targets, successes, challenges identified, and corrective measures taken.

(3) The Public Debt Management Office in liaison with the line ministry and other relevant departments shall carry out spot or physical checks on all debt funded projects.

(4) The EDDC Working Party shall review and submit the consolidated report on disbursement and utilisation to the EDDC semi-annually.

## **17. Reporting requirements on public debt**

(1) The Minister shall furnish the Parliament and other stakeholders, at least twice a year with a report on Government debt management activities, including guarantees and lending in accordance with section 36 of the Act.

(2) The Office shall prepare and produce, for the Minister, EDDC, the public and other stakeholders the following reports-

- (a) a statement of the amounts outstanding at the end of each year in respect of public debt;
- (b) a statement of the amount guaranteed (explicit contingent liabilities) and on-lending by the Government at the end of the financial year in respect of domestic and external debt;
- (c) statement of implicit contingent liabilities;
- (d) total public debt statements on quarterly, semi-annual and annual basis, which shall include inventory of all public sector liabilities, domestic and external debt and any contingent liabilities and on-lending including related assets on both flows and stocks;
- (e) assets associated with debts;
- (f) external and domestic arrears;
- (g) annual Public Debt Statement (PDS), First Schedule to the Blue Book;
- (h) annual Borrowing Plan. The report shall reflect the borrowing needs and ceiling for particular year, by instrument and source;
- (i) issuance calendar;
- (j) annual Debt Sustainability Analysis in liaison with Fiscal Advisory;
- (k) Medium Term Debt Strategy report and review, including monitoring and implementation progress;
- (l) annual Debt Portfolio Review;
- (m) loans contracted on quarterly, semi-annual and annual basis;
- (n) projected disbursements, debt service and commitments in respect of loans on quarterly, semi-annual and annual basis; and
- (o) any other reports as may be necessary.

## **18. Interpretation**

(1) In this part-

**"Sinking Fund"** means a separate account made up of segregated contributions by the Government to accumulate funds for the redemption of public debt.

(2) The primary objective of the Fund is to eventually extinguish Government debt in a prudent and orderly manner, and it is also meant to inspire confidence and supporting the market for Government securities.

## **19. Establishment and composition**

(1) For the purpose of the Act, the Minister shall cause the establishment of a Trust, which shall be charged with the general control of all Sinking Fund moneys.

(2) The Trust, subject to the Act, shall decide when and how the moneys shall be invested or used for the redemption of public debt.

(3) The Trust shall be a body corporate with perpetual succession and capable of suing and being sued in its name.

(4) The Minister, when constituting the Trust, shall ensure a balanced representation by persons with the following professional backgrounds-

- (a) a registered legal practitioner in terms of the Legal Practitioners Act [*Chapter 27:07*], and includes a

sitting or retired judge;

- (b) an accountant registered in terms of Public Accountants and Auditors Act [*Chapter 27:12*];
- (c) an investment banker;
- (d) an economist or person with expertise in finance.

(5) The Minister shall be the chairperson of the Trust.

(6) In the case of illness or absence of a trustee, the Minister may appoint a qualified person to act during the illness or absence, as the case maybe, and the person so acting shall have all the powers necessary to perform the duties of a trustee.

(7) At any meeting of the Trust, four trustees will form a quorum.

(8) The meetings of the Trust will be held on quarterly or as necessary.

## **20. Fund managers**

(1) The Trustees in consultation with the Minister shall delegate the management of the Fund to a fund manager:

Provided that the funds will be invested only in securities prescribed in the Act.

(2) The fund manager is responsible for safeguarding and investing the funds in the Sinking fund.

(3) The following institutions will be considered as fund managers-

- (a) Reserve Bank of Zimbabwe;
- (b) International Financial Institutions (PTA Bank, Afreximbank, World Bank, AFDB).

## **21. Reporting requirements**

(1) The Fund Manager shall submit to the Trustee a monthly report on the status of the Fund.

(2) The report shall include-

- (a) the to-date balance of the fund; and
- (b) its composition; and
- (c) income earned for the period; and
- (d) a reasonable forecast for the various financial instruments into which fund has been placed; and
- (e) the fund manager's recommendations or proposals regarding the fund.

(3) In its evaluation of the report, the Trustee ascertain the degree of risk that the sinking fund is exposed to and prescribe the appropriate corrective actions.

(4) The Trustee shall conduct an annual evaluation of the investment plan and performance of the Fund Manager and may introduce amendments to or revisions of the plan.