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Infrastructure Investment in Zimbabwe: Financing and Policy Options

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1. Introduction

Infrastructure is often referred as the "bedrock" for development. Infrastructure that is in good shape encourages economic growth, lowers poverty, and improves the delivery of health and other important services. The infrastructure deficit in developing countries, particularly Zimbabwe, is widely documented, and current development measures fall short of meeting the socio-economic needs of the nation (Collier and Cust, 2015). The ambitious Agenda 2063 and its global precursor Vision 2030, often known as the Sustainable Development Goals can only be realized if economic and social infrastructure is available. Zimbabwe's new leadership has embarked on a new policy initiative aimed at transforming the country into a middle-income society by 2030. Despite these lofty aspirations, Zimbabwe's state of infrastructure is a microcosm of Africa's macrocosm status, and it has the potential to stymie these development efforts. As will be argued, Zimbabwe does not have infrastructure (assets held in transportation services, electricity,water and sanitation, and telecommunications sectors) on which to be able to build the modern economy (Bonga and Sithole, 2020).

Given the scarcity of domestic resources, Zimbabwe will need an investment of billions of dollars in infrastructure development to shift the status-quo. Unfortunately, current figures suggest that the new economic programme is being handicapped by a massive financial gap (ZIMCODD, 2021). Traditional financial organizations, such as the Bretton Woods institutions, are unable to invest in Zimbabwe at the scale that the country requires to address its infrastructural gap (Moyo, 2020). China, on the other hand, the developing Asian powerhouse, is eager to invest. Under the Chinese financing model, Zimbabwe has access to loans in exchange for, or collateralized by, future streams of income from its natural resource endowments. Despite its convenience to Harare, this funding strategy is viewed as a problematic development finance model that puts the country's debt sustainability at risk (ZIMCODD, 2021a). In response to this scepticism, the study argues that the model as a whole should not be disregarded. This viewpoint is bolstered by the fact that China is financing Zimbabwe's needs rather than its own, hence the question should be how can Zimbabwe benefit from Chinese development finance? As argued by a Chinese diplomat, Rao Hongwei (2022) China's lending to African countries is not a "debt trap" but an "economic pie" that benefits the local population.

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Behind the “debt trap” cliché is an immoral attempt to sabotage the time-tested dynamic partnership between China and Africa, which deny China’s global efforts and contribution, and smear the international image of China” (Hudson, 2022). Indeed, Hongwei is defending the Chinese relations with Africa. However, his argument offers a unique perspective on Chinese development money that has been overlooked by 'pro-Washington' media and academics.

In light of this, the paper offers a resource for infrastructure loan financing model for Zimbabwe as an alternative financing option. By analyzing the literature with a view of identifying whether this model is genuinely boosting Africa’s development and Zimbabwe in particular or if it is instead fueling Chinese economic expansion at the expense of African economies, this study provides policymakers with a doorway through which they can improve the resource-backed loan model and finance Zimbabwe's infrastructure deficit. While it agrees that the secrecy surrounding this kind of finance is a major source of controversy, a comprehensive public financial management system anchored on strong political will can alleviate such concerns. Finally, the Zimbabwean government, as well as China, bears responsibility for ensuring a beneficial outcome of this financing strategy.

2. Literature review

African content ranks at the very bottom of most infrastructure indicators this therefore justifies the speed at which China has become a major creditor for huge infrastructure projects. The situation in Sub-Saharan Africa, including Zimbabwe, is especially perilous (Collier and Cust, 2015). The majority of the region's existing infrastructure stems from colonial periods and most of it has been severely damaged by internal warfare, natural degradation and neglect. The energy sector, communication technology infrastructure, weak connectivity, railroads, and substandard ports constitute Africa's biggest infrastructure deficit (Mills, et al., 2020). While politics has overtaken the argument over Zimbabwe's failure to develop, there are other elements, such as problematic infrastructure, that are impeding development in the country. As a result, addressing infrastructural factors will put the country in a stronger position for recovery at a faster rate. To this effect, Bonga and Sithole (2020) identified problematic infrastructure factors in Zimbabwe which include power cuts and shortages, poor road infrastructure, inefficient rail network within the country, water shortages and poor transport infrastructure for access to ports. Despite this, Zimbabwe is highly endowed with natural resources, as shown in Tables 1 and 2, which this paper contends can be successfully utilized to fund infrastructure development.

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Table 1: Zimbabwe's Estimated Mineral Resources

Mineral	Estimated Resource (Tons)	Global /Continental Rankings
Coal	26 billion	38th global producer
Iron Ore	30 billion	Has huge iron deposits associated with banded ironstone formations in greenstone belts
Coal Bed Methane	765 billion Cubic meters	Largest known reserves in Southern Africa
Gold	13 million	Amongst the top 20 global producer
Copper	5.2 million	There are over 70 known deposits in the country.
Diamond	16.5 billion	The country has about 160 known kimberlites with kimberlite hosted diamond mining taking place. The exact amount is yet to be fully established.
Lithium	23 million	5th largest producer globally and has the largest proven deposits in Africa.
Platinum	2.8 billion	3rd largest producer
Chrome	10 billion	Approximately 80 percent of the world's known metallurgical chromate
Nickel	4.5 million	More than 30 deposits have been discovered to date

Source: Moyo, 2020.

Table 2: Zimbabwe's unexplored Rare Earth Mineral resources

Rare Earth Mineral	Uses
Neodymium	Used in the manufacture of powerful magnets, computer hard drives, wind turbines and hybrid cars
Lanthanum lenses	Used in the manufacture of carbon lighting applications such as cameras and telescope
Cerium	Used in the manufacture of catalytic convertors and some crude oil refining
Praseodymium	Used in the manufacture of aircraft engines and special glasses
Gadolinium	Used in X-ray and MRI scanning systems and manufacture of refrigerators which do not emit greenhouse gasses such as CFC's or chlorofluorocarbons
Yttrium, Terbium, Europium	Used in the manufacture of memory chips for computers, televisions and other visual display devices, with different colors. Europium was also important in the manufacture of control rods used in nuclear reactors

Source: Ministry of Finance and Economic Development, 2020.

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African countries, including Zimbabwe, have identified resource-backed loans financing model, which is mostly backed by the Chinese government as a lender, to finance their infrastructure challenges. This financing model has become a popular option for countries like Zimbabwe to avoid the high financial risk tags that limit their access to foreign capital markets. As used in this paper, resource-backed loans refer to loans provided to a government or state-owned enterprise where: the repayment is either made directly in natural resources or from a natural-resource-related future income stream; the repayment is guaranteed by a natural-resource-related income stream; or a natural resource asset which serves as collateral (Mihalyi et al., 2020).

3. Methodology

The data used for this study was sourced from secondary sources such as academic articles; published policy documents on Sino-Africa and China-Zimbabwe relations, laws, regulations, and policies enacted by various ministries of the Zimbabwean government, media reports on Chinese investments in Zimbabwe, as well as literature regarding Western conceptualization of Chinese development finance in Africa among other the documents. The study is a qualitative review of most recent documents related to the topic under investigation.

4. Findings and Discussions

In light of the foregoing, this section discusses the findings' implications for the Zimbabwean government and its development stakeholders. The characteristics of the resource-backed loans indicate that there may be opportunities to improve their governance. This study notes that China has been a willing financier, offering large quantities of money in the form of loans, and resources are increasingly being utilized as collateral. Through this model, China is building infrastructure that is not geared on colonial infrastructure that contemporary Zimbabwe inherited which was intended to benefit the colonialists. This 'colonial' infrastructure is particularly problematic in the current settings of inter-regional connectivity and Zimbabwe is missing out on the nascent Africa Continental Free Trade Area. This therefore justifies the investment of Chinese firms in Zimbabwe's civil sector. This study notes that the Chinese contractors are increasingly winning the construction tenders in Zimbabwe and Africa in general. This is due to a number of the lower cost of doing a project without compromising the quality of work. However, there are accusations that Chinese constructors bribe host nations' policy makers in order for them to secure these infrastructure-related deals. As such, this study noted that China through its financing model has a huge capacity in providing Zimbabwe's infrastructure needs.

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The paper also points out that Chinese lenders and Zimbabwean policymakers have been less forthcoming about the volume, terms, and composition of this financing, leading to much speculation about its origin. Due to the obscurity of the loan terms, two opposing narratives evolved. According to the study, the approach has been considered by Euro-American powers and sceptical experts as high risk and pricier finance than traditional loans, as well as a debt trap for Zimbabwe. This view has been cemented by China's rising role in Africa's contemporary debt burden (ZIMCODD, 2021). This is in contrast to pro-Chinese narratives that contend that Chinese finance is not out of sync with the global interest rates, does not deliver windfall commodity profits to China, and does not need the utilization of Chinese employees (Bräutigam and Gallagher, 2014). Finally, this study indicates that resource infrastructure provides a lens through which Zimbabweans may see the link between natural resource extraction and infrastructure development. Given the above, this paper offers some policy suggestions for improving the governance of resources for infrastructure loans in Zimbabwe. This will ensure that there is no abuse of public resources and it will make resource backed loans conform to the country's governance rules.

5. Conclusion

This paper discussed that China's infrastructure-for-resources loans represent an opportunity for Zimbabwe. Infrastructure development has the ability to significantly contribute to economic growth while also potentially improving the lives of millions of people across the country. Resource for infrastructure loans have emerged as a viable source of finance to Zimbabwe's infrastructural development. It was noted that if not addressed successfully, Zimbabwe's current inadequacies, particularly in terms of governance and debt sustainability, threaten to perpetuate the country's poor inequality figures. However, the majority of the flaws found in this study are ultimately a reflection of Zimbabwe's institutional constraints. As a result, it is imperative on the Zimbabwe government and non-state players to lift the veil of secrecy surrounding resource-backed loans.

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