



The ZW\$ 18 billion stimulus package: Beyond the Figure

It is undisputable that the novel coronavirus has short and long term social and economic consequences on the people's lives and the global economy. Most of the implications are already visible especially with the implementation of national lockdowns. This has motivated governments and world leaders to dedicate resources towards addressing the health crisis and the impacts thereof including lives, livelihoods and economies. Zimbabwe is not an exception as it unveiled the ZWL\$18 billion Economic Rescue and Stimulus Package in order to **“scale-up production in all the sectors of the economy in response to the adverse effect of Covid 19”**. The package was also meant to cushion small-scale industries, improve health facilities, reduce poverty and hardships and assist vulnerable members of society. It is worth noting that the COVID-19 came against a background of very difficult economic environment aggravated by severe 2018/19 which worsened food insecurity in the country, depressed electricity generation which had negative spill-over effects to the rest of other sectors of the economy (2020 National Budget). The declaration of coronavirus as a national disaster came barely a month after the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with Zimbabwe. In this report, the IMF bemoaned the economic and humanitarian crisis in Zimbabwe in which more than half of the population is food insecure. In essence, the implications of coronavirus were worsened by the prevailing macroeconomic environment characterised by deteriorating health infrastructure, water shortages, foreign currency shortages, market distortions and rising inflation which is imposing pressure on the economy. The economic recession experienced in 2019 which witnessed economic and humanitarian crises in Zimbabwe increased the country's vulnerability to COVID-19. One would imagine the implications of coronavirus on economic growth in a country whose economy regressed by 6.5% in 2019 and extreme poverty rising to 34% from 28% in 2018. The implications of COVID-19 on the poor and vulnerable are ghastly to contemplate as they bear the brunt of negative growth, high inflation, rising unemployment and low wages and salaries. Therefore, the stimulus package for Zimbabwe was required with or without coronavirus. This analysis is therefore unpacking the ZWL\$18 billion stimulus package which was allocated as follows;

Agriculture Support	6.08
Working Capital Fund yes	3.02
Mining Sector Fund chemical metal, clothing	1.0
SME Support Fund	0.5
Tourism Support Fund	0.5
Arts Sector Fund	0.02
Liquidity from Statutory Reserves	2.0
Health Sector Support Fund	1.0
Broad Relief Measures	1.5

Food Grant	2.4
Total	18.0

Whilst the decision to avail the ZWL\$18 billion package is noble, there are many issues to consider which determines the ability of the state to fund the package and the responsiveness of the package to the unforeseeable implications of the COVID-19 pandemic. The following key considerations are important in understanding the efficacy of the stimulus and rescue package for Zimbabwe;

1. The stimulus package was purely a government programme which was imposed on the stakeholders. The government did not consult the stakeholders including the beneficiaries of the proposed package. Lack of consultations and dialogue on issues of national interest affects the principle of broad based dialogue, ownership of policies and processes which ultimately affect the outcome of the proposed package.
2. The stimulus package is not informed by any research. If there is any research done to that effect, it is not in the public domain. It is therefore difficult to ascertain the criteria used by the government in the proposed allocations which should have been informed by the anticipated impacts on each sector.
3. The country's indebtedness and unavailability of reserves limit the financing options at the disposal of the government of Zimbabwe to finance the stimulus package. Based on the fact that 73% of external debt owed to the external creditors is in arrears, penalties and interests, external creditors are not in a position to extend additional lines of credit to Zimbabwe.
4. The sector which accounts for at least 60% of Zimbabwe's economic activity is still in total lockdown, limiting the ability of the state to optimise this sector in terms of revenue collection and economic growth.
5. The government is constrained in terms of the fiscal space to mobilise the ZWL\$18 billion considering that ZIMRA only managed to collect ZWL\$ 13.88 billion during the first quarter ending 31 March 2020. This implies that the government would need to raise ZWL\$18 billion in 5 months in the absence of COVID-19. With COVID-19 and the national lockdown, it follows that the government will even collect less.
6. The government used the Zimbabwe dollar as a unit of account when it announced the ZWL\$18 billion strategy which is losing value on a daily basis. Based on the parallel exchange rate, the package lost value even before the funds are disbursed. Considering that the dedollarisation process is still way off from being accomplished, benchmarking the Stimulus package in the United States Dollar (USD) currency would have preserved value of the initiative.
7. Prior to COVID-19, key sectors of the economy including manufacturing, mining and agriculture were constrained due to lack of foreign currency to import raw materials, spare parts and equipment. If the resources are disbursed in local currency, the responsiveness of the package to these sectors remain questionable.
8. There is limited official development assistance and the situation is not likely to improve considering the slow reengagement process with the international community owing to failure to implement economic and political reforms. Most of the official development to Zimbabwe is in the form of off-budget support.
9. There are fears that the resources will be misappropriated in the absence of clear accountability systems considering that these policies are being announced when parliament is not exercising its oversight role. The fact that the package was announced without the approval of parliament leaves a lot to be desired. This is also worse at a time when Corruption in Zimbabwe has become endemic within its political, private and civil sectors. Zimbabwe ranks 158 out of 180 countries in the 2019 Transparency

International Corruption Perceptions Index. On a scale of 0 (highly corrupt) to 100 (very clean), the Corruption Perceptions Index marked Zimbabwe 24. This has since affected public trust in the use of public resources.

Recommendations

1. The government of Zimbabwe must embrace the principles of transparency, accountability and inclusive and participatory decision making when implementing programmes of national interest. Considering that the impacts of coronavirus are multi-sectorial; any decision should be informed by wider consultations. Wider consultations are key in increasing the responsiveness of the stimulus package to the needs and aspirations of the beneficiaries
2. The ZWL\$18 billion recovery and stimulus package must be subjected to parliamentary scrutiny and approval before implementation consistent with the provisions of section 299 of the constitution read together with section 199 of the Constitution of Zimbabwe and the Public Finance Management Act.
3. Disbursements to the productive sectors of the economy should be done on the basis of the following.
 - 3.1. Resources to finance raw materials must be made only to confirmed orders and to be paid directly to bona fide suppliers.
 - 3.2. Sectors that have high potential but have been decimated by the pandemic must be prioritised especially those sectors that have potential to quickly grow exports with high capacity for imports substitution
 - 3.3. Disbursements to prioritise borrowers with a track record of repaying previous loans.
 - 3.4. Supply chain finance offered to key anchor value chain players so that they can support their value chains and resuscitate production within the respective value chains.
4. Government must ensure availability of economic enablers such as electricity and fuel which are critical in the revival of the economy.
5. The government must make a deliberate effort to speed up the reengagement with the international community. This is important in the restoration of lost confidence and trust by the international community. This should be buttressed by religiously implementing the agreed political and economic reforms.
6. The essence of a stimulus package is to protect both businesses and the employees; as such adequate stimulus package is one that ensures that no employee will be laid off especially by those companies which would have benefitted from the package. In fact the package should come with terms and conditions and those who fail to meet these must be disqualified.

In the media...

1. “Unpacking the ZWL\$18 billion Economic Stimulus Package.” Panellists include the Zimbabwe Confederation of Industries, the Zimbabwe Chamber of Informal Economy Associations, Labour and Economic Development Research Institute of Zimbabwe and ZIMCODD. The discussants question the responsiveness of the proposed package and it was highlighted that the government did not consult the supposed beneficiaries as such the informal sector bemoaned that the ZWL\$500 million is not commensurate to the impacts the sector has suffered. [Click here](#) for more

2. **“Recovering from COVID-19.”** [Click here](#) for more

3. 57% don't contribute in budget consultations

ABOUT 57,3% of Zimbabwean citizens have never participated in pre-budget consultations, a new survey report has revealed. [READ MORE](#)

4. Government Will kill people from other diseases

The government's exclusive focus on containing the COVID-19 pandemic could expose the country's health sector to other more deadly diseases that are being neglected, experts have warned. [READ MORE](#)

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