

# ZIMCodd

ZIMBABWE COALITION ON DEBT AND DEVELOPMENT

## WEEKLY ECONOMIC REVIEW AND UPDATE

02 March 2021

*“Celebrating 20 years of People driven Social and Economic  
Justice in Zimbabwe”*

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### Weekly Dashboard

#### Forex Auction Weighted Rate

| Week<br>(16.02.2021)   | Week<br>(23.02.2021)   |
|------------------------|------------------------|
| ZWL83.7573<br>per USD1 | ZWL83.8868<br>per USD1 |

#### Total Consumption Poverty Line

| Nov 2020    | Feb 2021    |
|-------------|-------------|
| ZWL4 426.00 | ZWL5 187.00 |

#### Food Poverty Line

| Nov 2020    | Feb 2021    |
|-------------|-------------|
| ZWL3 279.00 | ZWL3 934.00 |

#### Consumer Price Index

| Feb 2020 | Feb 2021 |
|----------|----------|
| 640.16   | 2 698.89 |

#### Covid-19 Cases

| Week<br>(28.02.2021)            | Week<br>(01.03.2021)            |
|---------------------------------|---------------------------------|
| <b>Positive cases</b><br>36 089 | <b>Positive cases</b><br>36 115 |
| <b>Recovered</b><br>32 666      | <b>Recovered</b><br>32 905      |
| <b>Deaths</b><br>1 463          | <b>Deaths</b><br>1 468          |

#### COVID -19 Vaccinations

Vaccinated 01/03/21: 2163  
Cumulative Total: 21 456

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## Notable Issues This Week

### ZIMBABWE DOLLAR TO DEVALUE FURTHER IN 2021

The Reserve Bank of Zimbabwe (RBZ) introduced the new Foreign Exchange Auction System on the 23rd of June 2020, which has been integral in supplying the much-needed foreign currency to the key sectors of the economy. Although the auction market is celebrated for having managed to suppress the galloping inflation in 2020, the interference of the RBZ in the auction system has blocked the free-play of market forces leading to the overvaluation of the local currency. The questionable functionality and efficiency of the auction market, same as its unsustainability has promoted a dual forex market, with the parallel market enjoying in excess of 40% premium above the auction market. The auction system has failed to attract the requisite liquidity to meet the economy-wide demand for forex, electing to partially meet forex bids of corporates in the priority list.

### INEQUITABLE ACCESS TO INTERNET WEAKENS RESILIENCE TO COVID-19 IMPACTS

Many schools have engaged in e-learning, delivering classes through mobile phones. However, many children from rural and resource poor contexts have not been able to benefit due to a range of reasons including: inadequate or unreliable mobile networks; lack of a gadget to access the Internet, lack of a reliable energy source to power an electronic gadget; inequitable access to household electronic gadgets for young girls etc. Overcoming structural challenges to obtain and power an electronic gadget is a first hurdle, identifying a school with online learning another before contending with high data costs. These hurdles have locked out millions of Zimbabwe from their right to education for more than a year. Failure to resolve these challenges will result in the widening of inequality gaps across multiple generations. As the nation prepares to return children to school after lockdowns, there is a strong case for a major public investment to increase access to electronic gadgets and sustainable power sources. Innovative mechanisms to provide subsidised internet access for school going children through the State's telecommunications parastatal Tel-One, must be given critical thought.

### COVID TRACKING

With the vaccination programme already underway, lack of clear plan and timelines as to when the rest of the citizens are going to be inoculated is worrying. Weak information access, feedback and grievance redress processes give rise to the spread of unhelpful fake news and

false information. A clearly articulated Vaccination Plan will help stem the spread of conspiracy theories and increase public trust in the vaccination programme.

## 1) COVID-19 Resource Tracker

Zimbabwe has been on a National Lockdown since the 5th of January 2021 to curb the spread of the pandemic. Zimbabwe continues to mobilise resources internally and externally to respond to the devastating socioeconomic effects of COVID-19. Among other efforts, the government in the 2021 national budget has set aside ZWL7 billion to recruit more health personnel, procure PPEs, testing kits and sundries required in fighting COVID-19. The government has also budgeted ZWL3.5billion to cushion 500 000 vulnerable households whose beneficiaries comprise the informal sector, returning residents and children living in the streets.

The Government of Zimbabwe launched the COVID-19 vaccination programme on 18 February 2021 and has since embarked on the decentralised distribution and administration of the vaccines to healthcare professionals in pursuit of the 10million citizens herd immunity goal.

**Overall:** Total Pledges = US\$677,035,353; Honoured Pledges = \$540,448,167; Amount Spent = \$283,141,178

**For the week ending 26 February 2021:** Total Pledges = US\$23,144,194; Honoured Pledges =US\$52,216,675; Amount Spent = US\$15,296,675

### Recommendations

- **Eradicate corruption and mismanagement of public funds.** There is need to strengthen public procurement systems. Public procurement processes are particularly vulnerable to corruption and resource leakages in Zimbabwe. Parliamentary oversight and monitoring of major contracts and procurement processes is also vital to safeguarding COVID-19 resources.
- **Elaborate a people centered Vaccination Plan.** With the vaccination programme already underway, lack of clear plan and timelines as to when the rest of the citizens are going to be inoculated is worrying. Weak information access, feedback and grievance redress processes give rise to the spread of unhelpful fake news and false information. A clearly articulated Vaccination Plan will help stem the spread of conspiracy theories and increase public trust in the vaccination programme.
- **Ensure just and equitable distribution of COVID-19 Vaccines.** Just and equitable distribution of COVID-19 vaccines is essentially to safeguard the lives of poor and vulnerable groups such as the elderly, disabled, frontline workers and others. Regulation of the participation of private sector players in the importation and sale of vaccination is also crucial to protect Zimbabweans from exploitation and unfair business practices in the context of COVID vaccination and certification.
- **Invest in strengthening and improving public infrastructure.** The declaration of a national disaster on the state of roads in Zimbabwe is expected to free up additional resources roads to improve the state of roads around the country. This is vital to increase the accessibility of many areas for vaccine distribution. Other aspects of a robust public infrastructure system require urgent strengthening. In particular, primary health, social

housing and water and sanitation public infrastructure all require major investment as part of holistic long-term measures to strengthen Zimbabwe's resilience to the COVID-19 pandemic.

- **Government must develop Schools re-opening plan.** While the government prepares for the inevitable reopening of schools, it is worrying that citizens have not been consulted and updated on the state of preparedness, and precautionary measures that are being put in place by government to ensure a safe and timely return of all school-going children to their respective schools. There is need for the government to work with relevant stakeholders in ensuring that necessary measures are put in place before the reopening of schools. It is also important for the government to allocate more resources towards ensuring that the poorest districts and provinces are safe for both the learners and teachers.

## 2) Zimbabwe dollar to devalue further in 2021

The Reserve Bank of Zimbabwe (RBZ) introduced the new Foreign Exchange Auction System on the 23<sup>rd</sup> of June 2020. This system has been integral in supplying foreign currency into the economy. The Foreign Exchange Auction System Rate has been regarded as the official exchange rate between the Zimbabwean dollar and the US dollar. In the past months, the local currency has been trading at between ZW\$81 and ZW\$83 against the US dollar on the auction market, which has brought some stability in the market. However, the black-market rate has been hovering at ZWL\$ 105 to 130 per one US Dollar.

Within the prevailing dual forex market - the parallel market enjoys in excess of 40% premium above the auction market. Unmet demand for forex in the economy feeds on the parallel market whose rates keep adjusting to the unrelenting demand of the foreign currency, causing price increases. Heightened economic activity after the lockdown will likely increase the parallel market rate, leading to a significant depreciation of the local currency.

The auction market contributes much to addressing inflation and ensuring fairer access to foreign currency. Calls for the free-play of market forces in determining currency rates are reminded of the unequal distributional impacts of unregulated markets which tend to favour highly capitalised sectors of the economy over others. The recent appointment of an inclusive and gender balanced Monetary Policy Committee gives rise to hopes that the Auction system will facilitate access to productive resources for all critical sectors. Additionally, RBZ should continue with the surveillance, for all those firms receiving affordable foreign currency, to avoid overcharging on their product on the market, so as to increase affordable goods and services to the general public.

By and large, the scarcity of forex in the economy requires the accumulation of forex reserves through a sound export policy complemented by a supportive and sound banking policy that safeguard export proceeds deposited by exporters. This has been lacking in Zimbabwe as the government has raided forex accounts held by the private sector as well imposing forex retention policy meant to siphon private forex earnings to the government. Accordingly, policy must be designed to support exporting companies without attaching conditions that scuttle the investment potential of the private sector in the economy. In creating foreign demand of the local currency, the government ought to zero-in on creating a safe investment destination by fast-

tracking the Ease of Doing Business reforms, enact laws that protect the interest of investors (respect of private property) so as to attract FDI. Forex reserves stabilize the value of the local currency, create business confidence through enhanced certainty in business planning, investment scaling thereby sustaining a protraction in growth.

### 3) Disposal of NSSA FML shares daylight robbery against poor workers: ZCTU<sup>1</sup>

A functional pension system is a vehicle towards poverty alleviation, development and social protection to the elderly and their dependants<sup>2</sup>. The vital function which is served with the pension fund equally demands careful decisions and effectual management of the pension fund to enable the realisation of the benefits of the pensions fund. It is therefore the onus of the government to ensure that there is protection of the individual contributions from expropriation and looting of the pension fund by anyone. Investment decisions on the pension fund should be transparent and made out of agreement with the stakeholders or representatives of the contributors to ensure that politically exposed persons do not take advantage of their proximity to the savings and reap what they did not sow.

Risky investment decisions should not be made with the pension fund as it directly negates any hopes for social security and access to basic social and economic amenities by the elderly yet they contributed towards their social protection. As such, there is a need for effective pension governance which stands to ensure that there is transparency, trust and confidence in the management of the pension fund.

Good governance should be part of pension's management to ensure that there is the prevention of the agency problem or conflict of interests between the management of the pension fund and the members of the pension fund<sup>3</sup>. This also points toward the need to ensure the protection of social justice to the pension contributors, through strengthening the governance of the pensions fund to avoid risky decisions that can deplete the savings of the pensioners leaving them in neediness. History has it that politically exposed persons would unjustly reap off the pension contributions leaving out huge financial gaps in the pension's fund. Therefore, stringent laws should be in place to ensure that the pension's fund is not easily tampered with. Those charged with the responsibility of managing the pension fund should make careful and rational decisions borne out of stakeholder consultations to protect the savings of the elderly and set a platform for justice. Without effective pensions fund governance, it would be a grand heist on the savings of the workers to be invested in less transparent means by the management.

### 4) Inequitable internet access weakens resilience to COVID impacts

Internet access is severely limited in Zimbabwe, exacerbated by a growing economic crisis and inadequate electrical infrastructure. In December 2019, POTRAZ reported an internet penetration rate of 62.9 percent. The Alliance for Affordable Internet ranks Zimbabwe at 53 out

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1 Mahove, C.2021. Disposal of Nssa FML shares daylight robbery against poor workers: ZCTU. The Newshawks, 19 February 2021. <https://thenewshawks.com/disposal-of-nssa-fml-shares-daylight-robbery-against-poor-workers-zctu/>

2 Stewart, F and Yermo, J. 2009. "Pensions in Africa", OECD Working Papers on Insurance and Private Pensions, No. 30, OECD.

3 Stewart, F and Yermo, J. 2009. "Pensions in Africa", OECD Working Papers on Insurance and Private Pensions, No. 30, OECD.

of 60 low-income countries in terms of affordability of internet access. While, the government reports favourable statistics on internet penetration, the quality and accessibility of connections remain limited in practice. Penetration remains lower in most rural and peri-urban areas due to relatively high costs and lack of infrastructure.

The fact is that, internet connectivity and mobile network has become one of the basic necessities in our everyday lives. The advent of COVID-19 pandemic, has further increased the need for telecommunication services. The restrictions that came with Covid-19 in a bid to scuttle the spread of the disease has increased the appetite for the internet and other telecommunication services like E-business. Many schools have engaged in e-learning, delivering classes through mobile phones. However, many children from rural and resource poor contexts have not been able to benefit due to a range of reasons including: inadequate or unreliable mobile networks; lack of a gadget to access the Internet, lack of a reliable energy source to power an electronic gadget; inequitable access to household electronic gadgets for young girls etc. Overcoming structural challenges to obtain and power an electronic gadget is the first hurdle, identifying a school with online learning another before contending with high data costs. These hurdles have locked out millions of Zimbabwe from their right to education for more than a year. Failure to resolve these challenges will result in the widening of inequality gaps across multiple generations. As the nation prepares to return children to school after lockdowns, there is a strong case for a major public investment to increase access to electronic gadgets and sustainable power sources. Innovative mechanisms to provide subsidised internet access for school going children through the State's telecommunications parastatal Tel-One must be given critical thought.

#### 5) Miners push back against foreign exchange retention, regulatory uncertainty<sup>4</sup>

As a way to mobilise more funds for the auction system, the Reserve Bank of Zimbabwe (RBZ) revised the forex retention threshold in January 2021 resulting in exporters surrendering 40% of their earnings to the Central Bank. Although the RBZ monetary policy regarded the move as a step in the right direction “to refine and enhance the sustainability of the Foreign exchange Auction System”<sup>5</sup> the far-reaching change has not been welcomed by mining companies. It is the reimbursement of the surrendered money in local currency at the official auction rate<sup>6</sup> that has been viewed as the elephant in the room by exporters due to its deleterious effect on their companies' operations. Many mining companies contend that they are suffering from burgeoning foreign currency-denominated expenditures which leave them with inadequate resources to manoeuvre. The mismatch between the forex retained and the mining companies' operative costs compounded by the harsh effects of the Covid-induced lockdown will significantly impact the

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<sup>4</sup> The Newsday. 25 February 2021. Amplats warns Zimbabwe on forex retention, regulatory uncertainty. <https://www.newsday.co.zw/2021/02/amplats-warns-zimbabwe-on-forex-retention-regulatory-uncertainty/>

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<sup>5</sup> Miners warn: RBZ's new 40% forex retention rule may cause viability crisis. NewZWire, 28 January 2021. <http://newswire.live/miners-warn-rbz-new-retention-rule-may-cause-viability-crisis/>

<sup>6</sup> The Newsday. 25 February 2021. Amplats warns Zimbabwe on forex retention, regulatory uncertainty. <https://www.newsday.co.zw/2021/02/amplats-warns-zimbabwe-on-forex-retention-regulatory-uncertainty/>

mining landscape. The situation is exacerbated by unpredictable adjustments to investment laws which can detract investment drive in the country and runs contrary to the call for a US\$12 billion mining industry by 2023.

In light of the aforementioned, regulatory decisions and laws by the government should be predictable and viable to lure potential investors and boost the mining sector's contribution to national development. There is a need for the government to balance between the need to raise revenue and support for the mining sector as this will pay dividends to the country and citizens at large. The Minerals Act states that all mineral resources in the country belong to citizens and should therefore benefit everyone, as such there is credence in the idea to leave minerals in the ground rather than risk the triple challenges of illicit financial flows, climate impacts and local conflicts associated with extractive processes in corruption prone jurisdictions.

#### 6) Investigate high profile corruption cases to maintain credibility and relevance

The News Hawks reported that ZACC is under increasing pressure internally and externally to deal with corruption complaints against high profile individuals such as Police Commissioner-General Godwin Matanga. One of the complaints against Commissioner Matanga is that the Commissioner ignored tender regulations as provided for in the State Procurement Act when he authorized the vehicles' purchase without following due process. Zimbabwe has several high-profile corruption cases pending in the courts, such as those involving ex-Ministers Joram Gumbo, the Prisca Mupfumira and the Obadiah Moyo. The fact that Joram Gumbo was transferred from the Ministry of Transport to be a Minister in the President's Office after being accused of corruption raises eyebrows about ZACC and the Second Republic's political leadership. ZACC investigators acknowledge that the pace for high profile corruption cases is slow and is a function of political influence. One then wonders whether the Second Republic is serious about fighting corruption in the country. For ZACC to maintain its credibility, image and integrity, there is a need for the institution to quickly expedite investigations, prosecution and conclusion of high-profile corruption cases. There is also a need for ZACC to investigate corruption cases without fear or favour.

#### 7) Demand electoral reforms now: ZESN 7

The quest for reforms comes in line with Article 17 of the African Charter on Democracy Elections and Governance which emphasises the need to have an impartial election management body to ensure justice and political inclusivity to the people. Electoral reforms, therefore, seek to anchor independence of the electoral management body to enhance the quality of elections in the country of which the benefits trickle down as good governance and equitable resource distribution in the society. However, when the political players have the room to manipulate

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<sup>7</sup> Mhlanga, B. 2021. *Demand electoral reforms now: Zesn*. Newsday, 22 February 2021 <https://www.newsday.co.zw/2021/02/demand-electoral-reforms-now-zesn/>

electoral promises and guarantee their re-election, not from the electorates, they are no-longer accountable to the electorates and their conduct will not respond to the needs of the electorates. This stands to indicate that electoral reforms are necessary to anchor trust, and integrity in the election management process. They strengthen democracy and good governance which benefits the majority of the people. There is a strong need for political will to reform the election management body in Zimbabwe to ensure that democracy and justice in the electoral process are guaranteed.

Fair, free and credible elections are built upon a strong legal and institutional foundation. Reforms have been called following the challenges that are associated with the elections in the country. Fair and transparent elections are a proxy towards enhancing government credibility and opening up of international re-engagement with the international community. Flawed electoral laws and processes undermine the credibility of the elections and dampen any chances of fair participation by political parties and individuals. This implies that flawed electoral systems undermine political freedom which is antithetical to justice and democracy. It is the onuses of the electoral management body to independently manage elections without any influence from vested interests. When the electoral system is flawed and lacks transparency, there are high chances of post-electoral violence and instability which negatively affects the livelihoods of citizens. Reforms are key to enhance transparency and accountability in the electoral process.

#### 8) Chebundo, Timveos join Zanu PF<sup>8</sup>

Party switching in Zimbabwe has become a common phenomenon in the recent political feud<sup>9</sup>. It can be assumed that the switch by senior party members from the MDC-A to ZANU PF was a genuine move following the disintegration of the opposition political party which is gradually losing support and cohesion. The drift in ideologies of the MDC factions could have triggered the defection of party members to other political parties in search of the ideology that is in line with their political orientation<sup>10</sup>. Reasoning along these lines, the move of former MDC-A senior party officials may be justified. However, when this behaviour happens to existing legislators, it undermines democracy, representation and accountability. This will be so because the politicians win an election and gain political office through a political party ticket. They are expected to deliver policies in line with the mandate of their political party. Therefore, when there is a switch of political parties, there is a direct betrayal of the electorates which translates to a direct disenfranchisement of the electorates. Political parties are mechanisms to deepen and widen democracy, government accountability and transparency thus the defection by most senior

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<sup>8</sup> Murwira, Z. 2021. Chebundo, Timveos join Zanu PF. The Herald, 25 February 2021. <https://www.herald.co.zw/chebundo-timveos-join-zanu-pf/>

<sup>9</sup> Arriola, M., Choi, D. D., Davies, J. M., Phillips, M. L and Rakner, 2021. Paying to party: Candidate resources and party switching in new democracies. Sage Journals. 21 (2). <https://doi.org/10.1177%2F1354068821989563>;

Ferland, B and Dassonneville, R. 2019. Shifting parties, rational switchers: Are voters responding to ideological shifts by political parties? <https://doi.org/10.1177%2F1354068819829207>

<sup>10</sup> Achen, C. H and Bartels, L. M. 2016. Democracy for Realists – Why Elections Do Not Produce Responsive Government. Princeton: Princeton University Press.

members affects party cohesion and the ability to bring the government to account in the governance of the country.

Switching of elected representative from one political party to the other can be a personal move aimed at advancing the political careers of individuals who are aiming for backing and political support from the bigger political party which has the power and resources for campaigning for the incumbents. Whatever the reasons, the switching of members to other political parties dampens chances of democratic representation and creates more opportunities for the dominance of one political party. This can undermine the potential to have a responsive government and policy formulation that equitably benefits society. A powerful opposition limits partisan and biased resource allocation in the country thus with a weak opposition, resources might be concentrated on a few elites generating ungovernability and instability in the country. As such, there is a need for the enactment of defection laws that guides the switching of parties to deter serving members of parliament from defecting their parties which negatively affects the democracy and governance of the country.