



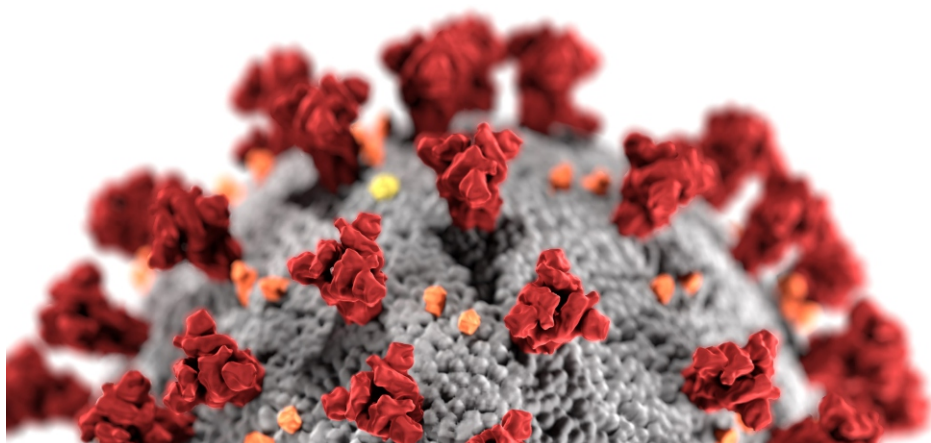
**ZIMBABWE COVID-19**  
**RESPONSE MECHANISM**  

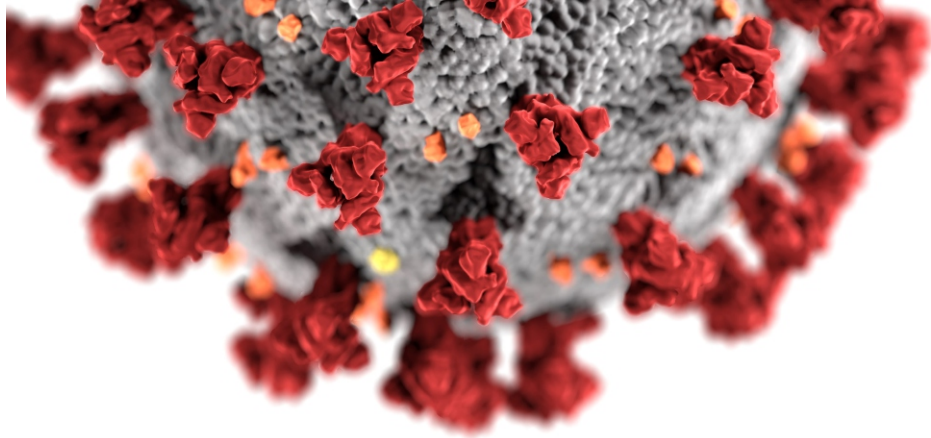
---

**THE RESOURCE FACTOR!**

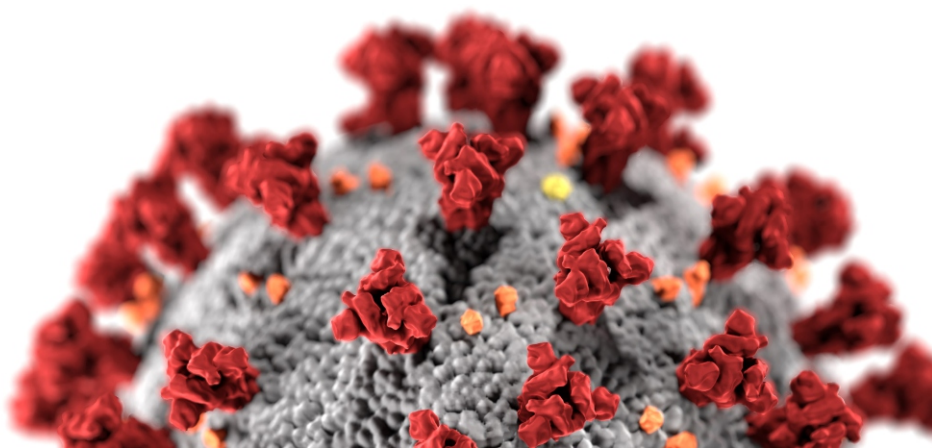
## Table of Contents

1. Acknowledgements.....	3
2. <b>INTRODUCTION</b> .....	4
2.1. Stock Markets Performance.....	5
2.2. Currency Markets.....	6
2.3. Oil, Platinum and Gold.....	7
3. <b>COVID-19 IN ZIM: POSSIBLE ECONOMIC AND SOCIAL IMPACTS</b> .....	8
3.1. Effect on Remittances.....	9
3.2. Effect on debt sustainability.....	10
3.3. Effect on mining exports.....	12
3.4. Effect on agricultural sector.....	13
3.5. Effect on tourism sector.....	15
4. <b>RECOMMENDATIONS ON COUNTERING THE EFFECTS OF COVID-19</b> .....	17
4.1. Multilateral engagements on debt.....	17
4.2. Downward review of individual income tax.....	18
4.3. Deferment arrangements for corporate tax.....	18
4.4. Bank loan repayment holidays.....	19
4.5. Payment of pharmaceutical companies in foreign currency.....	19
4.6. Removal of duty on all food imports.....	19
4.7. Waiver of customs duty on COVID-19 related drugs, materials and equipment.....	19
4.8. Reduction of RBZ foreign currency retention thresholds on export earnings.....	20
4.9. Review of 2% Intermediated Money Transfer Tax (IMTT) Threshold.....	20





- 5. **A CALL FOR RESOURCE MOBILISATION** .....21
- 6. **GOVERNMENT OF ZIMBABWE RESPONSE TO THE COVID-19 OUTBREAK**.....22
  - 6.1. Health preparedness and response Budget .....26
  - 6.2. Economic impact response budget .....28
- 7. **COVID-19 RESOURCE MOBILISATION MODEL**..... 30
  - 7.1. Lessons learnt from Cyclone Idai disaster.....31
  - 7.2. Major sources of financial support..... 32
  - 7.3. COVID-19 Resource Mobilisation steps.....34
  - 7.4. Resource Management and Distribution.....35
  - 7.5. Recommended model for the management and distribution of COVID-19 resources ..... 36
    - 7.5.1. Accounting for all resources mobilised- Curb Corruption in humanitarian responses.....37
    - 7.5.2. Allocation of resources.....38
  - Procurement ..... 39
  - Reporting and Auditing..... 39
- 8. **CONCLUSION** ..... 41
- 9. **REFERENCES** ..... 42





# 1

## Acknowledgements

The Zimbabwe Coalition on Debt and Development (ZIMCODD) is highly indebted to the technical experts – Richard Mwarire and Elliot Wonyika who dedicated their time and effort in a very short time frame to work on this paper. The insightful, meticulous editing and review of the paper provided by Janet Zhou and John Maketo reflects in both the content and flow of this paper. The great work of the entire ZIMCODD team which took part in overall coordination is acknowledged.



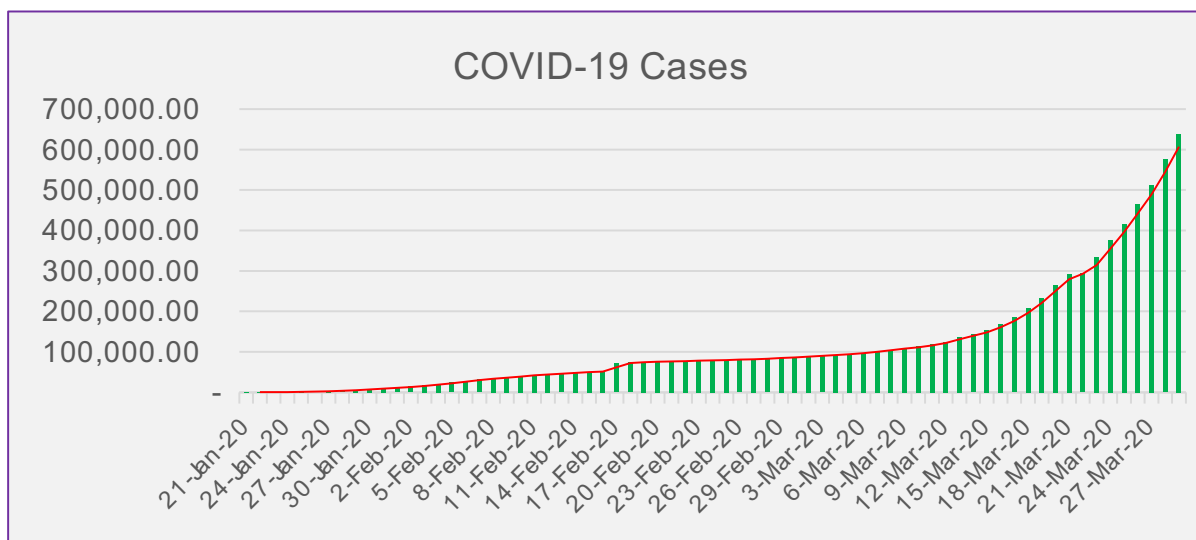
## 2

## Introduction

Coronavirus Disease (COVID-19) is caused by a new set of the Corona viruses' family discovered in late 2019, the World Health Organisation (WHO) reports. Corona viruses are a family of viruses that ordinarily cause diseases in animals. Seven, including the new virus, have made the transition to humans, but most result in mild cold-like symptoms. Two other coronaviruses – Middle East Respiratory Syndrome (MERS) and Severe Acute Respiratory Syndrome (SARS) are much less severe, having killed more than 1,500 people between them since 2002. The new COVID-19 disease is also dangerous with around 20 per cent of confirmed cases having been classified as severe or critical. COVID-19 has a current mortality rate of approximately 4% with 29 957 deaths out of the 634 835 recorded cases as at 29 March 2020 globally. According to WHO, the virus has affected 206 countries, areas or territories across all continents as at 2 April 2020

The purpose of this Assessment Report is to explore the possible socio-economic effects of the COVID19 pandemic on Zimbabwe. The assessment comes up with possible recommendations on a resource mobilisation model that the Government can pursue in its efforts to fight this pandemic. An attempt is also made to come up with recommendations to ameliorate the negative social and economic effects of the virus.



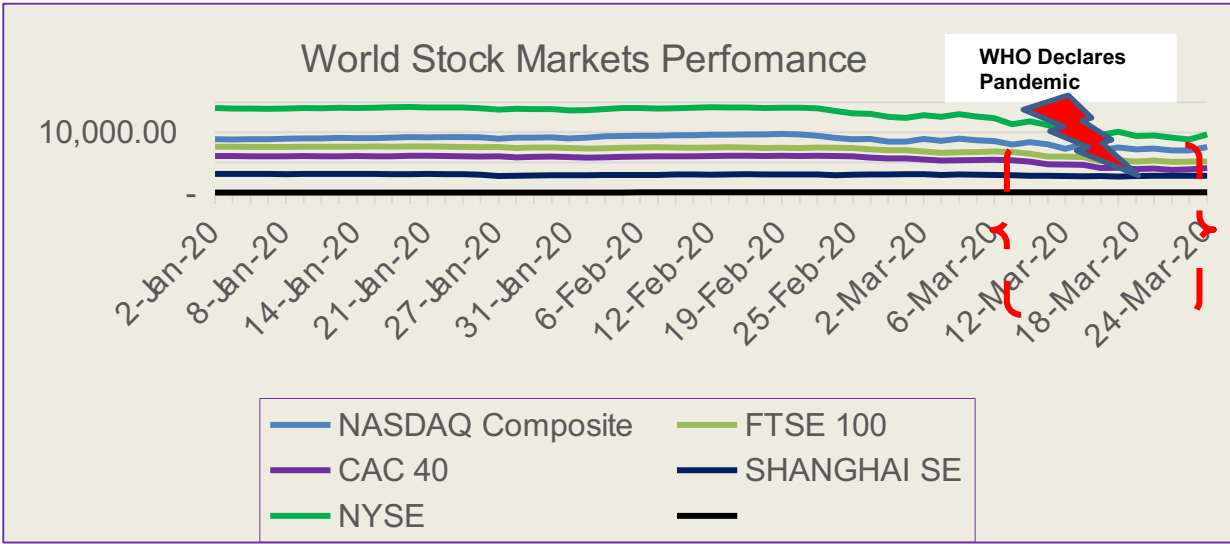


## COVID-19 IN THE GLOBAL ECONOMIC CONTEXT

### 2.1 Stock Markets Performance

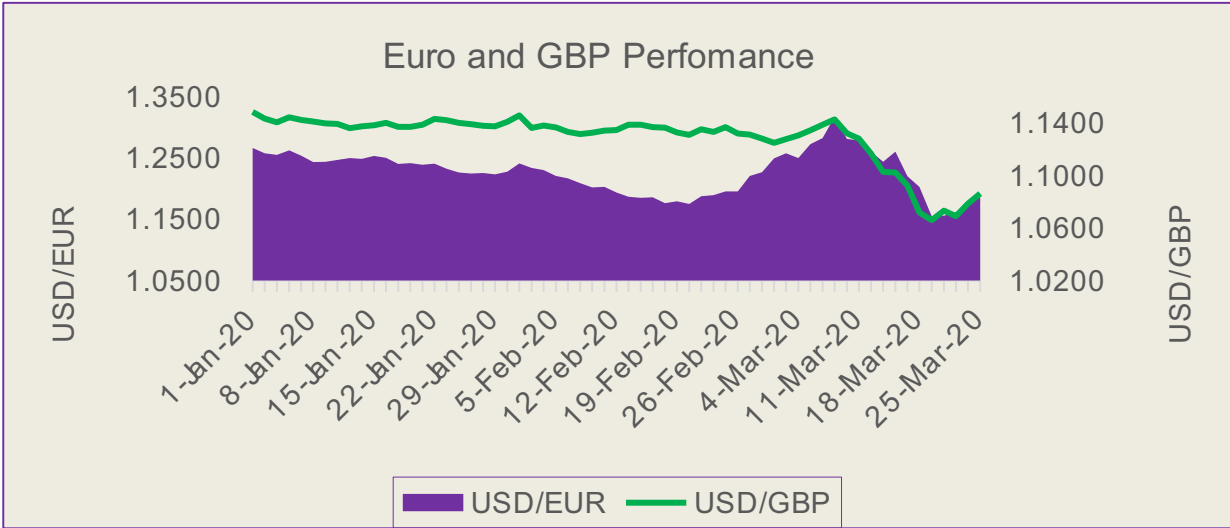
Global Stock Markets have taken a huge knock following the emergence of COVID-19 and its subsequent declaration as a global pandemic on the 11th of March 2020 by WHO. The National Association of Securities Dealers Automated Quotations (NASDAQ) Composite Index dropped by 15% from the beginning of the year from 8,872.22 points to trade at 7,553.83 points as at the 24th of March 2020. Stock markets elsewhere in world financial centres followed suite with the CAC 40 in France being the biggest casualty, losing 33% from the beginning of the year from 6,041.50 points to 4,048.80 points as at 24 March 2020.

Following the pronouncement of COVID-19 as a global pandemic, stock markets continued on a tailspin with the CAC 40 losing a further 16% between the 11th and 24th of March 2020. Other markets followed a similar trend with the FTSE 100 and the NYSE losing 15% and 16% respectively. Interestingly the SHANGHAI Composite was relatively stable during this period following a market intervention from the Chinese Government by way of a bailout package.



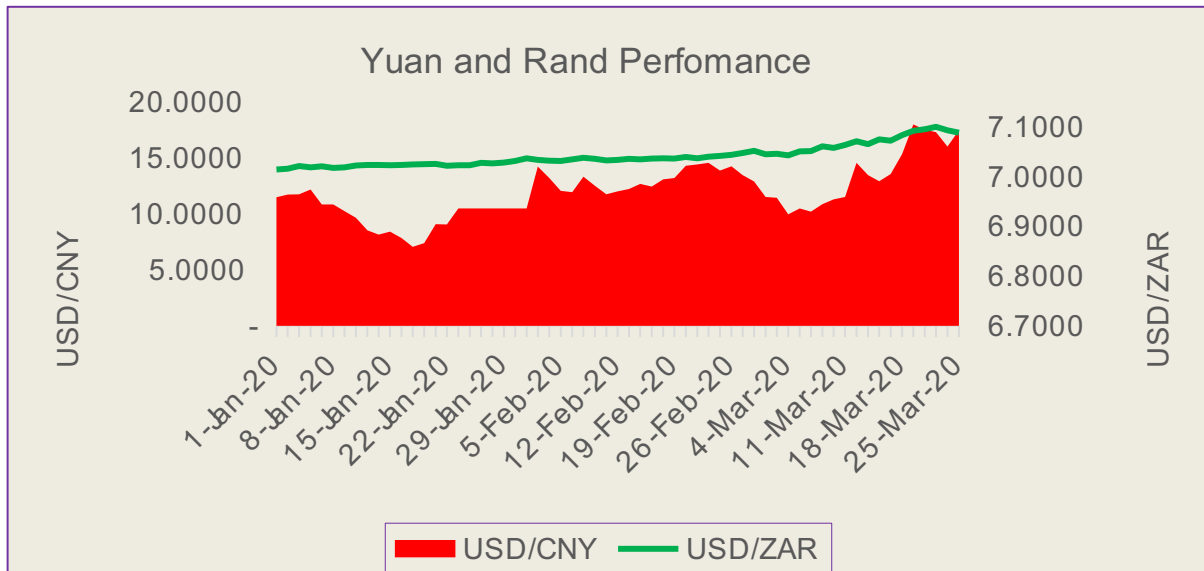
**2.2** Currency Markets

Major world currencies, the Euro (EUR) and the British Pound (GBP) were fairly stable against the United States Dollar (USD) over the period 1 January 2020 to 4 March 2020. However, following the declaration of the COVID-19 as a global pandemic the EUR and the GBP currencies recorded a 7% and 4% depreciation respectively.



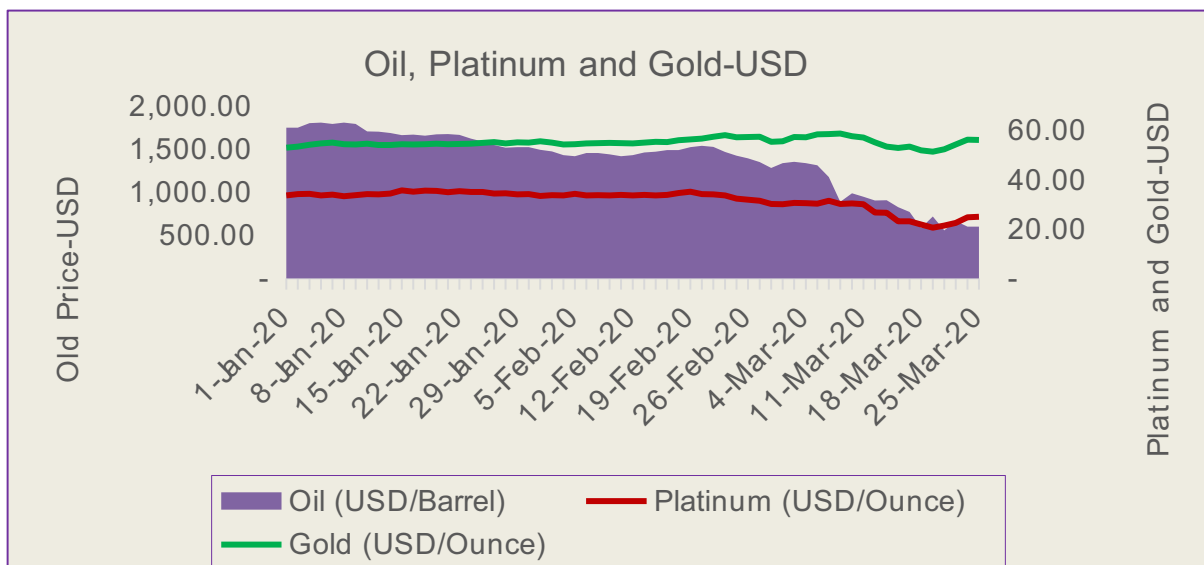
Emerging markets currencies were not spared from the bearish currency market, with the South African Rand (ZAR) being the worst casualty, losing 23% since the beginning of the year from ZAR14.0064: USD\$1 to ZAR17.2817: USD1 as at 25 March 2020. Since the declaration the Rand has lost 7% of its value against USD in the subsequent week. The Chinese Yuan also followed suit, losing 2% of its value from the day of declaration. Remarkably the Chinese Yuan did not suffer much of a decline as some of the global currencies following a market intervention by the Chinese Government.





**2.3 Oil, Platinum and Gold**

On the commodities market, Crude Oil was the biggest hit, posting a 66% fall in price from the beginning of the year to date to close at \$21.03 per barrel. Of the 66% depreciation from the beginning of the year, 37% was recorded between the 11th of March 2020 and 25th March 2020 following the declaration of the COVID-19 virus as a global pandemic. Platinum was also heavily affected, losing 26% from \$963 per ounce to \$715.50 as at 25th of March 2020. Despite Gold being seemingly resilient in recent trades, the price took a knock of 2% since the declaration.





# 3

## COVID-19 IN ZIM: POSSIBLE ECONOMIC AND SOCIAL IMPACTS

Zimbabwe has so far recorded eight cases of COVID-19 and one death as at 2 April 2020. As part of measures to contain the spread of the virus, the President of Zimbabwe, Emmerson Dambudzo Mnangagwa, proclaimed a national state of emergency through **Statutory Instrument 76 of 2020 (Civil Protection: Declaration of State of Disaster: Rural and Urban Areas of Zimbabwe, COVID 19)** in terms of the Civil Protection Act [ Chapter 10:06]. Subsequently the Minister of Health in terms of the Public Health Act [Chapter 15:17] also enacted Statutory Instrument 77 of 2020 to spell out measures for prevention, containment and treatment.

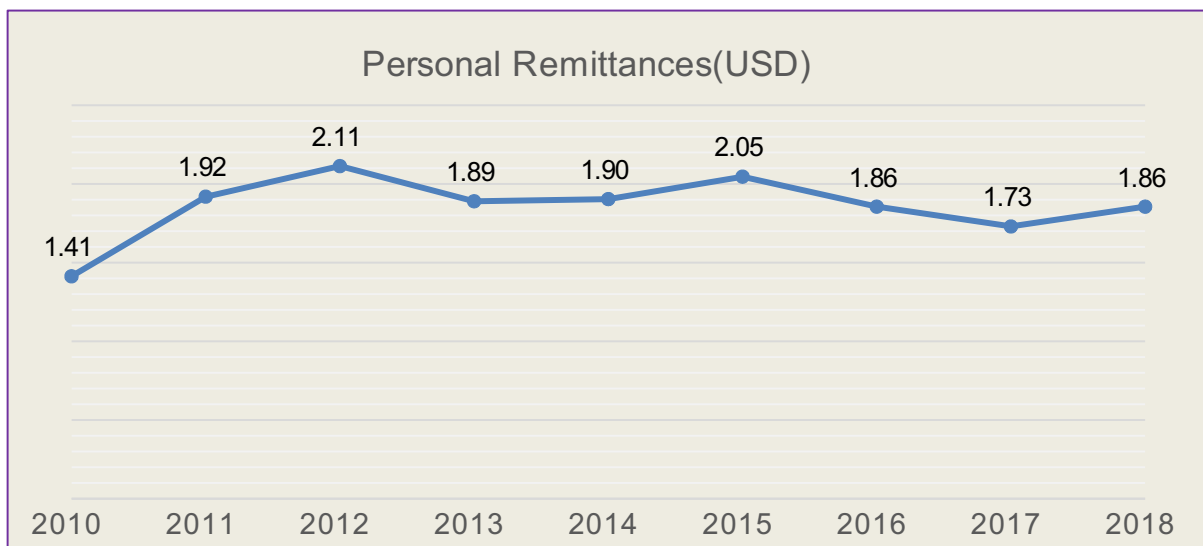
The pandemic is likely to come with a lot of economic and social effects to ordinary Zimbabweans. This section explores the possible negative effects of COVID-19 through tracing key economic variables like remittances, debt, mining exports, tobacco exports and the tourism sector. An attempt has been made to link the economic effects of COVID-19 to the attendant social effects of the pandemic on vulnerable groups like women and the youths.



### 3.1

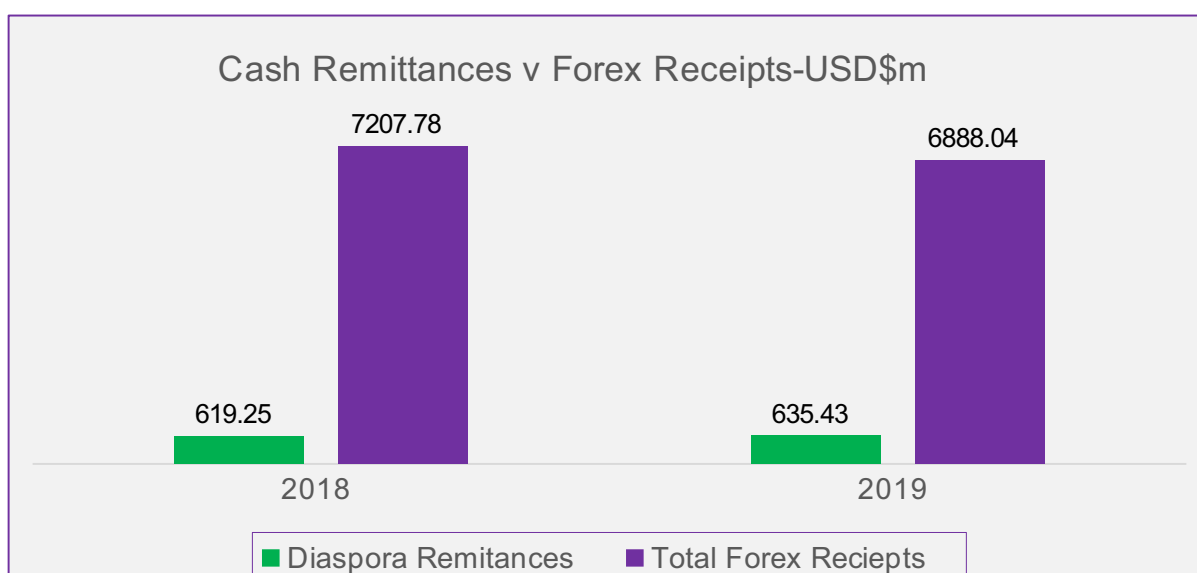
### Effect on Remittances

With a diaspora population of over 3 million, as recorded by the International Organisation for Migration (IOM), remittances form a very important aspect of the Zimbabwean's social and economic livelihood. According to the World Bank, Zimbabweans living abroad send back home goods and money upwards of USD1.8b annually (see figure 6 below). Personal remittances consist of all current transfers in cash or in kind received by households in Zimbabwe and these make a considerable contribution to both urban and rural livelihoods.



With host economies contracting due to the negative effects of COVID-19, there is bound to be a negative knock on effect on the Zimbabwean economy. With diaspora incomes contracting due to the shutdown and social isolation, most households that depend on diaspora support in Zimbabwe are therefore at risk of hunger, poverty and starvation. With South Africa being the biggest host nation to Zimbabwe's diaspora population and accounting for over 56% of remittances, the restrictions in terms of movement of goods and the disruption to business will have negative effects to the majority of ordinary Zimbabweans.

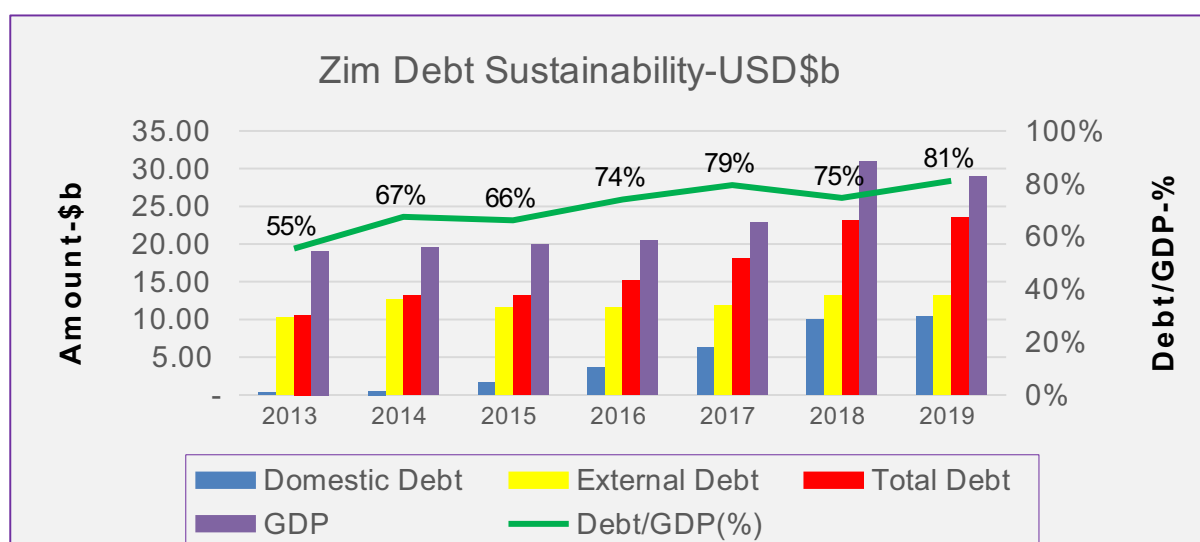
Diaspora cash remittances is also a vital source of foreign currency liquidity for the Zimbabwean economy and income for many households. According to the Reserve Bank of Zimbabwe (RBZ), individual diaspora remittances have contributed at least 9% to the country 's foreign currency receipts in 2018 and 2019 which makes diaspora remittances a key factor in terms of forex receipts as shown in Figure 7 below. Consequently, the expected decline in diaspora remittances has a net effect on the country's current acute foreign currency challenges. A decline in individual cash remittances is also going to affect small- to medium-scale businesses in retail, hardware etc as the remittances form a primary source market for these back of the value chain businesses.



### 3.2 Effect on debt sustainability

Zimbabwe's debt stock is unsustainable with domestic debt growing by an unprecedented 2 789% between 2013 and 2019 from USD0.36b to USD10.40b respectively. External debt has also grown by 27% over the same period from USD10.22bb to USD13.13b1 between 2013 and 2018 respectively according to latest figures from the Reserve Bank of Zimbabwe.

The country's total debt as a percentage of the Gross Domestic Product (GDP) has also grown significantly from 49% in 2013 to 75% as at end of 2019. With the COVID-19 pandemic, it is expected that the Government will again resort to domestic borrowing using Treasury Bills and other market instruments in order to finance the additional expenditure to finance COVID-19 response efforts. With limited scope for external borrowing as a result of arrears, this scenario is likely to worsen the country's debt unsustainability, resulting in an exponential growth in money supply with its attendant negative effects on the exchange rate and inflation.



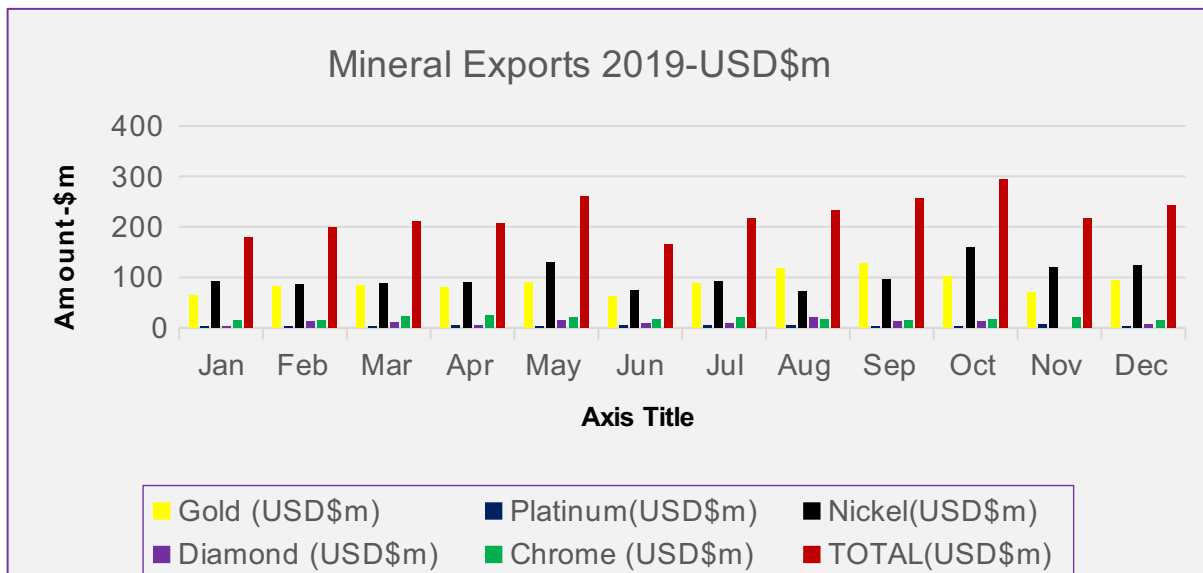
An unsustainable debt position following years of the Government's failure to honour its debts obligations coupled with the negative effects of COVID-19 will continue to hamper the country's ability to attract loans from development financial institutions like the International Monetary Fund (IMF), World Bank and the Africa Development Bank (AfDB). The high sovereign risk rating emanating from the debt unsustainability also limits the private sector's ability to borrow from international financial markets. Failure to access international financial capital has possible negative downstream effects to efforts around industrialisation, production and job creation. Women, youths and other vulnerable groups bear the burden of the negative economic effects of unsustainable debt as the Government's ability to finance social welfare related expenses is curtailed.



### 3.3

### Effect on mining exports

The mining sector in Zimbabwe contributes significantly to the country's Gross Domestic Product, with estimates from the Ministry of Finance and Economic Development showing that the mining industry contributed an average of 6.2% to GDP between 2009 and 2015 whilst the figure improved to 8.4% between 2016 and 2018. Mining is also a vital source of foreign currency to the economy, with mining exports from Gold, Chrome, Platinum and other metals earning USD2.2b (32% of total forex receipts) in the year 2019 according to figures from the Reserve Bank of Zimbabwe (RBZ) as shown in Figure 9 below:



The COVID-19 pandemic has seen a slump in the global demand for minerals and metals. China, which happens to be a key destination market for Zimbabwean mineral exports, recorded a strong drop in Purchasing Managers Indexes (PMI) for the month of February 2020, with the PMI index dropping from 50.0 to 35.7 which was worse than that witnessed during the Global Financial Crisis in 2008. This drop-in manufacturing activity will affect the demand for Zimbabwean mineral exports or at the very least force Zimbabwe to accept lower prices in a buyer-influenced market. The expected drop in foreign currency earnings as a result of the drop in mineral exports will worsen the country's already delicate foreign currency situation. According to RBZ, Zimbabwe requires at least \$1.17b in fuel imports annually and as such any decline in mineral exports owing to the COVID-19 pandemic will negatively affect the country's fuel situation.

2. The Purchasing Managers' Index (PMI) is an index of the prevailing direction of economic trends in the manufacturing and service sectors. It consists of a diffusion index that summarizes whether market conditions, as viewed by purchasing managers, are expanding, staying the same, or contracting

The mining value chain also supports a significant portion of the rural communities in mining towns especially in Southern districts of Zimbabwe through small-scale gold and chrome mining. In 2019, of the 27.7 tonnes of gold delivered to Fidelity Printers and Refineries, 63% of the gold emanated from small-scale producers. The expected fall in prices and demand on the world market as a result of the COVID-19 pandemic will have a huge impact on the livelihoods of these small-scale players and their families. Already there are confirmed reports that Zimbabwe's gold exports have come under threat after South Africa's Rand Refinery suspended its gold exports to the UK upon failing to secure commercial flights to ship the mineral to London as the pandemic takes its toll.<sup>3</sup>

### 3.4

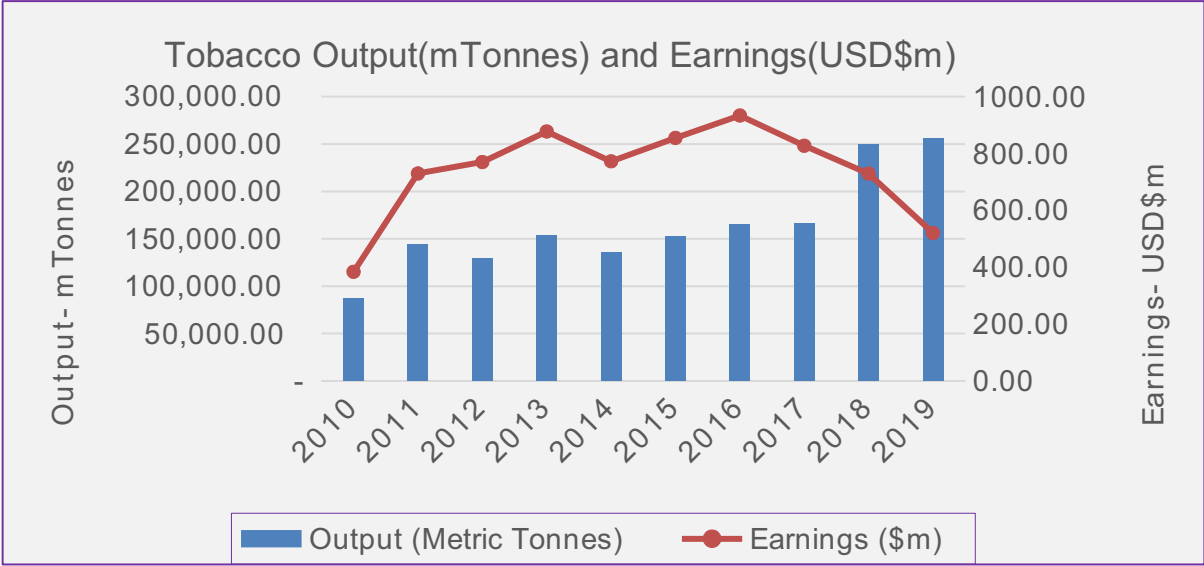
#### Effect on agricultural sector

With the winter wheat season approaching, Zimbabwe will likely experience another poor winter cropping season on the back of erratic power supplies and COVID-19 impacts, as most of the farming activities during this period are done under irrigation. With foreign currency resources going towards the fight of the COVID-19 pandemic, it is anticipated that the Government will have limited budgetary space to support farming activities. The expected poor winter cropping season will mostly likely result in shortages of key farm produce such as wheat, which will further put a strain on the country's import bill to balance the deficit.

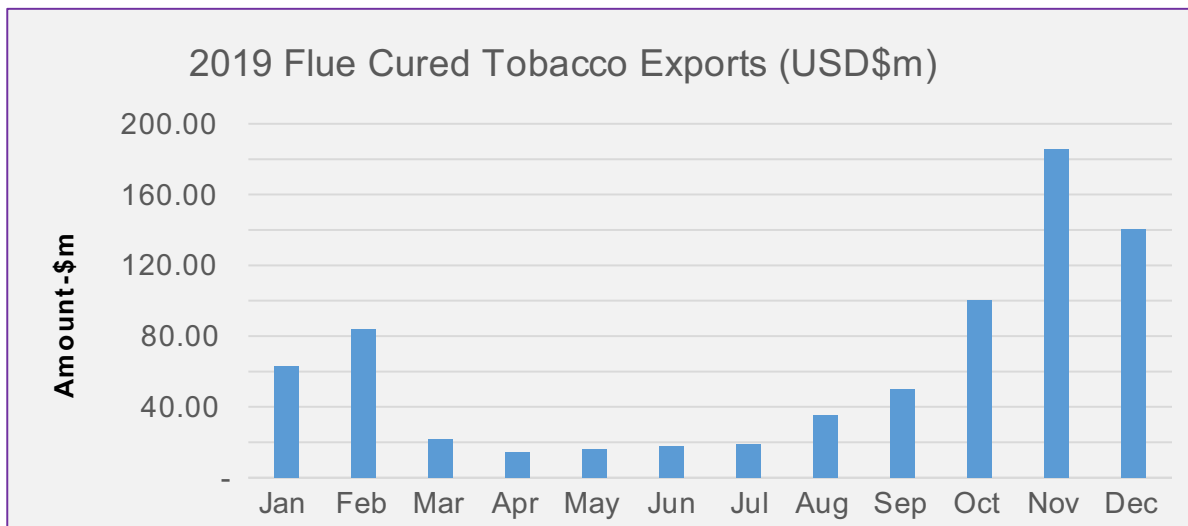
In the event of a complete shutdown, players in the agricultural value chain will likely register massive losses due to failure to deliver goods to the market. This will come at a huge cost to most livelihoods, especially the small- to medium-scale farmers who make a living out of markets such as the Mbare Musika produce market. On the secondary level of the value chain, vendors who make a living out of selling fresh produce in urban areas will also lose incomes.

Zimbabwe is the largest tobacco producer in Africa as alluded to by the Food and Agricultural Organisation (FAO). The tobacco sector in Zimbabwe provides a livelihood to over 185,892 farmers according to the Tobacco Industry and Marketing Board (TIMB) Annual Report for the 2019 tobacco marketing season. By extension, a total of at least 1.2 million Zimbabweans in the rural and farming communities rely on tobacco farming for their livelihood. COVID-19 presents unique challenges to the tobacco sector with the opening of the Auction Floors in doubt according to the latest statement from TIMB following the ban on gatherings of more than 50 people.

On top of its demonstrated positive impact to livelihoods, tobacco is also one of the country’s top foreign currency earners over the years, netting USD\$520m at the local auction floors in the last marketing season as demonstrated in figure 10 below:



China, which happens to be hard hit by the pandemic, takes up over 30% of the annual tobacco volumes traded at the auction floors according to TIMB. The resultant reduced economic activity in China may affect the smooth flow of the tobacco trading at the floors and is likely to result in depressed prices for this upcoming auction season. The threat to prices is likely going to affect tobacco earnings for both the country and the farmers. As shown in Figure 11 below, the export of processed flue cured tobacco earned the country USD\$746m in foreign currency in 2019. Due to COVID-19 there will be a disruption in global tobacco value chain which may hinder the free flow of exports as most countries have closed their ports of entry. This will in turn affect a key foreign currency revenue line for the economy.



### 3.5 Effect on tourism sector

The tourism sector is currently one of the hardest-hit by COVID-19 with impacts on both travel supply and demand, particularly in China, the world's leading outbound market in spending, and other key Asian and European source markets. Travel restrictions and flight cancellations/frequency reduction have significantly diminished the supply of travel services (both domestic and international) while demand continues to retract. COVID-19 has become a new downside risk in a context of an already weaker world economy. Furthermore, COVID-19 comes on top of a rather uncertain scenario of continued geopolitical, social and trade tensions, post-Brexit effects, and an uneven performance among major outbound travel markets.

With these realities, it is anticipated that Zimbabwe will record a significant reduction in tourist arrivals in the short- to medium-term. The International Air Transport Association (IATA) estimates that the demand for airlines will drop by 38% worldwide in view of the COVID-19. Following the same trend, Zimbabwe tourist arrivals will likely decline by the same margin as demonstrated in the figure below. The fall in tourist arrivals will with no doubt affect the country's foreign currency situation. The tourism sector in Zimbabwe contributed 7.2% to the Gross Domestic Product (GDP) in 2018, with total foreign currency receipts topping USD1b according to the Zimbabwe Tourism Authority (ZTA).





Smaller city economies like Hwange, Victoria Falls among others will also feel the effect of the decline in tourist arrivals. Small- to medium-scale players in the tourism value chain will be the most affected as they have no other means of livelihood as the sector faces headwinds due to COVID-19. The tourism sector is one of the biggest employers of the youth segment of the population and the expected downturn in the sector might result in job losses within this demographic segment. Most hotels have responded by terminating contracts of scores of short term contract workers as a result of loss of business.<sup>4</sup> Mostly affected are waiters and waitresses, chefs and cooks with less than five months long contracts

4. <https://www.newzimbabwe.com/vic-falls-tourism-sneezes-as-coronavirus-spreads/>

# 4

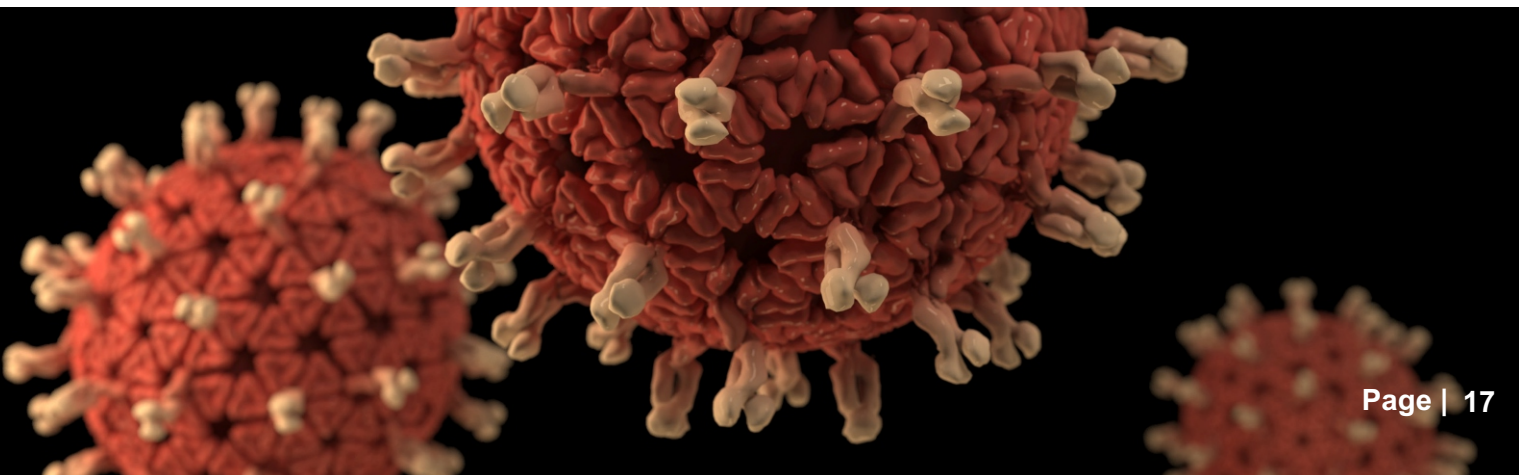
## RECOMMENDATIONS ON COUNTERING THE EFFECTS OF COVID-19

Further to identifying the negative implications of the COVID-19 on Zimbabwe's economy and the its effect on society in section 2, this section proffer recommendations on how the effects of the pandemic may be ameliorated.

### 4.1 Multilateral engagements on debt

With a total external debt of USD13.13b<sup>5</sup> as at December 2019 as reported by RBZ, Zimbabwe will struggle to service its principal and interest repayments to bilateral and multilateral creditors. As a result, there is need to work on two important factors on the debt question;

- Initiate a debt re-engagement process with both multilateral and bilateral creditors on debt repayments so as to avoid a continuous accrual of interest on the nation's debt stock as the financial and economic tensions from COVID-19 are enormous. African Finance Ministers through the United Nations Economic Commission for Africa (UNECA) have already written to the IMF and the World Bank to seek for the waiver.
- To enable the debt re-engagement process, the Government of Zimbabwe has to put in place a fiscal accountability mechanism that guarantees transparency and prudent use of public finances and curtail the syphoning of public resources as has been exposed by the Office of the Auditor General. The 2019 Article IV Consultations with Zimbabwe Report by the IMF released in February 2020 highlighted that the Staff Monitored Programme (SMP) was offtrack with a number of policy missteps and other natural disaster related shocks. Therefore, there is need to be genuine in letter and spirit in formulating and implementing reforms that safeguard public finances and resources from leakages.



## 4.2 Downward review of individual income tax

Individuals and households are going to be the hardest hit by the impact of COVID-19. Cognisant of the fact that the Government's fiscal position does not allow the Government to intervene by way of a bailout package, a temporary reduction in individual income tax will leave the populace with additional disposable income to counter the negative effects of the COVID-19 pandemic. With the Poverty Datum Line (PDL) estimated at ZWL\$4,188 as at December 2019 by ZimStats, it will be prudent for the Government to review upwards the individual income tax free threshold from the current ZWL\$2,000 per month to a minimum of ZWL\$4,188 per month or align it with the PDL. Faced with the need to self-isolate and limit movement, individuals and households will be faced with the need to stock groceries, medicines and other essentials, hence the need to lower income taxes.

## 4.3 Deferment arrangements for corporate tax

The announced 21-days lockdown will result in a lot of companies having cash flow gridlocks and at times fail to honour their tax obligations to Zimbabwe Revenue Authority (ZIMRA). This will pose a threat to the millions of jobs in both the formal and informal sectors of the economy. Informed by the need to save jobs, the Government should enter into deferment arrangements with those companies which demonstrate that COVID-19 pandemic has affected their normal trading operations on the strict condition that their current tax affairs are in order. Panama is an example of a country which has implemented this strategy with tax payment dates extended to the 31st of May 2020 subject to a further review depending on how the COVID-19 situation progresses in-between. Players within the Small to Medium Scale category especially those within the food and essential services sector should be considered for a lower corporate tax bracket in order to minimise the negative effects of COVID-19 pandemic on their businesses. This arrangement will encourage SMEs to make sure their tax affairs are up to date.

#### 4.4 Bank loan repayment holidays

There is need for banks to extend repayment holidays for principal amounts on loans advanced to individuals and corporates. A repayment holiday will ensure that the upliftment of the debt burden results in increased consumer disposable income. This is necessary to avoid the negative effects of a recession in the economy. In New Zealand, the Government announced a six (6) month moratorium on mortgage repayments for those affected by COVID-19. To support this initiative, the RBZ will need to come up with suitable market instruments to aid banks with liquidity to anchor such an intervention.

#### 4.5 Payment of pharmaceutical companies in foreign currency

To maintain an adequate supply of drugs in line with the increased demand of flu-related medicines, there is need for the Government to consider paying pharmaceutical manufacturers in foreign currency. With a weaker Zimbabwe Dollar (ZWL), most pharmaceutical manufacturers were opting to export their produce in order to raise foreign currency. If this continues, this might trigger an acute shortage of essential medicines. To buttress this proposal in light of the genuine need for pharmaceutical manufacturers to raise foreign currency, Government through the RBZ should also allow these manufacturers to charge their drugs in foreign currency.

#### 4.6 Removal of duty on all food imports

To ameliorate a potential food crisis, the Government should either remove or reduce import duty on essential food imports. This will guard the economy against the risk of inflation as foreign suppliers are more likely to increase prices in light of the supply chain disruptions due to the COVID-19 pandemic.

#### 4.7 Waiver of customs duty on COVID-19 related drugs, materials and equipment

To ensure an effective response to the COVID-19 pandemic, ZIMRA must be empowered to waive customs duty and other import taxes on drugs, materials and equipment imported into the country to support response to the pandemic. The role of Parliament in this regard is of utmost importance. Parliament must be one of the institutions that must be granted the privileges to operate and give the important essential service of making laws and exercising its oversight role during this crisis period.



#### 4.8 Reduction of RBZ foreign currency retention thresholds on export earnings

To ensure the viability of the mining and tobacco subsectors of the economy, there is need for the RBZ to consider a downward review of foreign currency retention thresholds on export earnings. This will ensure that exporters retain a significant portion of their earnings in foreign currency and thereby cushioning them against the loss in value due to the weaker Zimbabwe Dollar (ZWL). Post COVID-19 pandemic, this move will ensure the viability of the country's major export earning businesses

#### 4.9 Review of 2% Intermediated Money Transfer Tax (IMTT) Threshold

The Tax Free threshold for the 2% Intermediated Money Transfer Tax (IMTT) tax is pegged at ZWL\$100 according to ZIMRA. At the current official exchange rate of ZWL\$25: USD1, this will be only USD\$4. It is therefore recommended that the Government reviews upwards the minimum IMTT tax threshold to at least ZWL\$1,000 in line with the current reality of the erosion of value due to a depreciating exchange rate and the inflationary pressures.



# 5

## A CALL FOR RESOURCE MOBILISATION

The COVID-19 pandemic has put unprecedented pressure on national Governments and humanitarian agencies to act in the face of the global catastrophe and has raised the urgent need for resource mobilization. This has seen the United Nations making an appeal for the mobilization of at least US\$2 billion to assist the world's poorest people and countries. Individuals like Jack Ma, the Founder of Alibaba have donated a consignment which includes 20,000 laboratory diagnostic test kits, 100,000 medical face masks and 1,000 protective suits and face shields to countries like Zimbabwe. The US Embassy has also pledged USD470,000 towards covid-19 response. The need to raise public funds brings to the fore the fundamental issue of ensuring that there is transparency and accountability in the utilisation of these funds. There is need to establish a COVID-19 Disaster Fund to mobilize resources in a transparent manner since a fund account can be audited.

The Zimbabwean Government is also expected to benefit from these public resources raised and will be allocating its own funds and resources towards the fight against the COVID-19. On the 17th of March, the President of Zimbabwe declared COVID -19 a national disaster, which triggered a raft of measures by the Government to fight against the spread and minimize the impact of the virus..

The following sections of this report will explain a model that will assist in the quantification of the financial impact or costs associated with Government's planned interventions in the fight against COVID-19. In addition, recommendations are made on how public funds mobilized for the pandemic can be managed and reported so as to ensure fiscal transparency and accountability.



# 6

## GOVERNMENT OF ZIMBABWE RESPONSE TO THE COVID-19 OUTBREAK

Following the declaration of COVID-19 pandemic as a national disaster, the Government of Zimbabwe unveiled a preparedness and response budget of US\$26 million on the 20th of March 2020. The main budget allocation areas were identified by the Ministry of Health and Child Care with the support of WHO as follows:

Budget Line	Amount
Planning, monitoring and coordination	USD1 424 100
Risk communication and community engagement	USD1 098 500
Surveillance, rapid response and case investigation	USD4 159 890
Points of entry	USD112 440
National laboratory system	USD3 119 454
Infection prevention and control	USD238 850
Case management	USD4 090 540
Logistics, procurement and supply management	USD12 144 606
<b>Total</b>	<b>USD26 388 380</b>

Table 1: Source, Government of Zimbabwe





However, in a live broadcast radio programme hosted by ZIMCODD and Capital Radio, the Minister of Health and Child Care highlighted that the government was in need of USD100 million<sup>6</sup> to finance an effective response mechanism to COVID-19.

This budget allocation was in addition to a raft of measures that had been instituted including the banning of public gatherings of more than 50 individuals, cancellation of public events such as the Independence Celebrations and the annual Zimbabwe International Trade Fair (ZITF).

Given the extent to which COVID-19 pandemic is expected to spread, with some countries projecting that the virus can infect between 60% to 80% of their population, the financial package unveiled by the Government of Zimbabwe may not be enough. The United States Government, for instance, is looking to unveil a 2 trillion United States Dollars rescue bill to address the effects of the COVID-19 pandemic on the economy.

Across the World, governments have come up with budgets to fight against COVID-19. Below is a summary of estimated cost of the measures as obtained from a report by the IMF:

- **South Africa:** ZAR12 billion (0.2 percent of GDP) (Approximately USD684 million). The government is working on additional support measures to be presented to parliament.
- **Botswana:** The initial budget allocated to deal with this outbreak was P31 million (USD2.7million) of which P22 million has already been spent. The authorities are updating this plan and anticipate increasing spending to around P500 million (USD43.7 million), (0.25 percent of GDP).
- **Nigeria:** Contingency funds of N984 million (USD2.7 million) have been released to Nigeria's Center for Disease Control, and an additional N6.5 billion (USD18 million) is scheduled for release. The Government is in the process of coming up with additional policy measures to support the response efforts. Recent reports have put the additional financial resource allocation to an amount close to USD300 million

**Source:** <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#N>



An interesting aspect to note from the IMF report is the limited financial response to COVID-19 by most countries in the SADC region except for South Africa.

Looking at the budgets estimates by the South African and Botswana Governments, the USD26 million estimate by the Zimbabwean Government may be understated. Therefore, there is need to develop a model that will quantify the financial resource requirements for the Government of Zimbabwe based on the following key factors:

- The total size of the Zimbabwean population. South African government, for instance, has estimated around USD684 million against its total population of approximately 60 million or USD11,40 per citizen.
- Projected inflection rate in Zimbabwe.
- The expected period under which economic activity in the country maybe constrained due to the restrictions in global human movement as well as local shutdowns that may be imposed by the Government.
- State of medical facilities in Zimbabwe.
- State of the economy and employment rates. This will be crucial in estimating the cost of social support needed for vulnerable groups in the country

Given the risk analysis above, the main budget areas would be around the financial resources needed for the medical response against the COVID-19 pandemic and possible bail out packages to deal with the economic ramifications post the pandemic.

The next section provides the cost estimates based on the following budget pillars which have been recommended by WHO in their operational planning guidelines to support country preparedness and response.



Fig 13: Source: WHO



## 6.1 Health preparedness and response Budget

Scenario 1: 20 to 40% Infection rate

Table 2 Budget Pillar		Amount (USD)
Country Level, Coordination and Planning		5,000,000.00
Risk communication and community engagement		3,000,000.00
Surveillance, rapid response teams, and case investigation		2,000,000.00
Points of entry		5,000,000.00
National laboratories		48,000,000.00
Infection prevention and control		30,000,000.00
Case management		8,000,000.00
Operational support and logistics		4,500,000.00
<b>Total</b>		<b>105,500,000.00</b>

### Key Estimate Assumptions:

- Average cost per test: USD15
- Approximately 20% of the population will be tested i.e 3.2million tests
- Zimbabwe's hospital facilities level of preparedness is very low
- 5.7million Zimbabweans are in extreme poverty (source: World Bank)

**Scenario 2: 60 to 80% Infection rate**

<b>Table 2 Budget Pillar</b>	<b>Amount (USD)</b>
<b>Country Level, Coordination and Planning</b>	5,000,000.00
<b>Risk communication and community engagement</b>	3,000,000.00
<b>Surveillance, rapid response teams, and case investigation</b>	2,000,000.00
<b>Points of entry</b>	5,000,000.00
<b>National laboratories</b>	96,000,000.00
<b>Infection prevention and control</b>	50,000,000.00
<b>Case management</b>	16,000,000.00
<b>Operational support and logistics</b>	6,500,000.00
<b>Total</b>	<b>183,500,000.00</b>

**Key Estimate Assumptions:**

- Average cost per test: USD15
- Approximately 40% of the population will be tested i.e 6.4million tests
- Zimbabwe's hospital facilities level of preparedness is very low
- 5.7million Zimbabweans are in extreme poverty (source: World Bank)

## 6.2 Economic impact response budget

Table 4 Budget Item	Amounts (USD)
Direct support for small businesses and self-employed	60,000,000.00
Tax Breaks	10,000,000.00
Bail out packages for Big corporates	120,000,000.00
Food assistance to vulnerable members of society	15,000,000.00
	<b>205,000,000.00</b>

### Key Estimate Assumptions:

- Zimbabwe is largely informalized and there will be need to support these SMEs. As of 2019, ZIMRA recorded approximately 18 500 registered SMEs and these would most likely be in need of this financial assistance.
- There is expected to be reduced economic activity during the COVID-19 pandemic period.
- 5.7 million people are living under extreme poverty, as reported by the World Bank, therefore there is need to increase support for vulnerable groups such as the elderly and the youths.

From the budget estimates above, in a worst-case scenario, the Zimbabwean government would need a total of USD383.5 million to fund the response effort to the COVID-19 pandemic. This amount is far above the current announced budget of USD26 million (difference of USD357 million), as can be seen in the figure below:



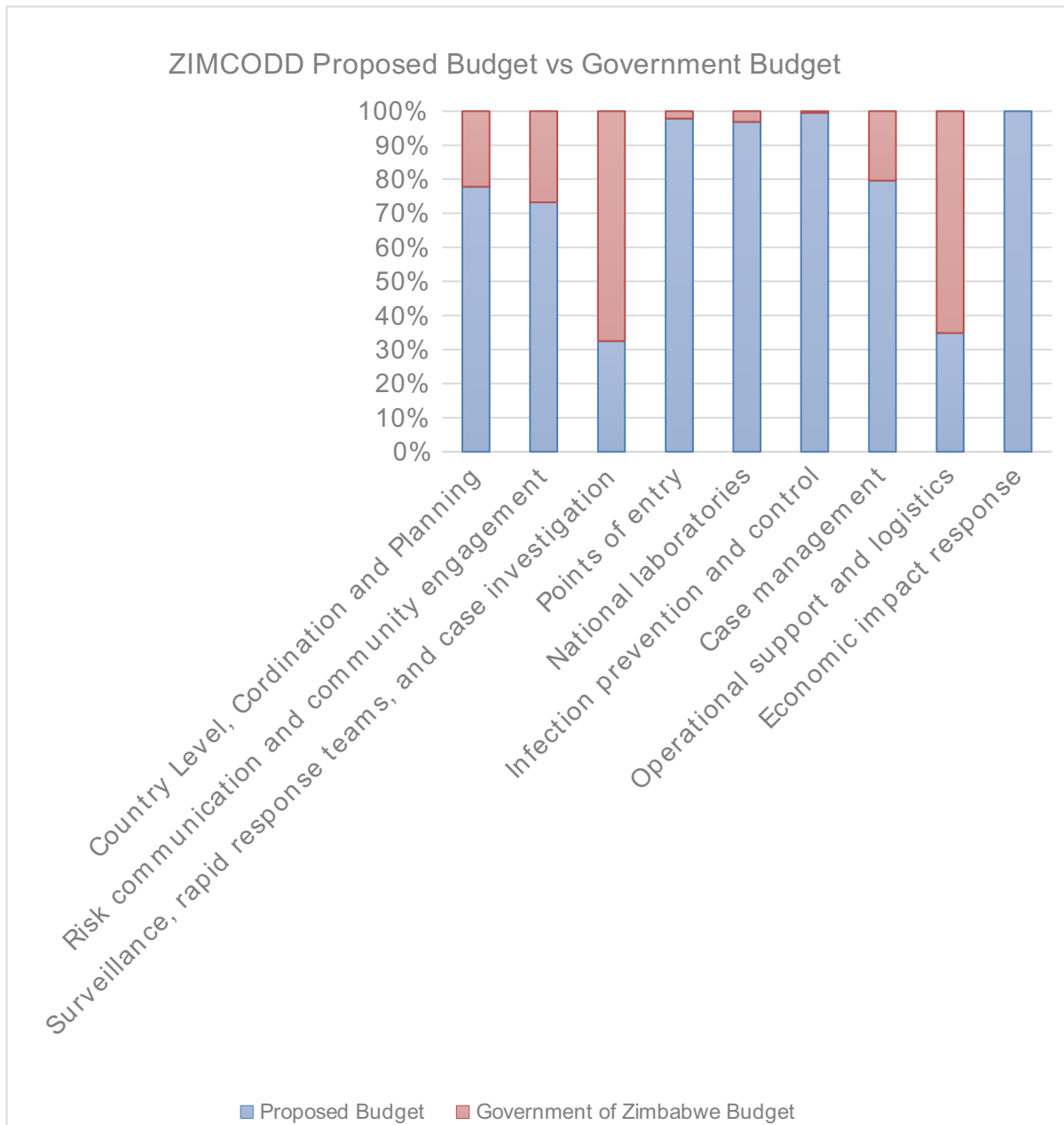


Figure: 14

**Key Observations:**

- Close to half of the budget allocation is towards operational support and logistics, whilst the proposed health budget allocates 52% to national laboratories. The 52% allocation is in line with recommendations by WHO that Government should focus on testing for COVID-19 virus as a key measure to fight the virus.
- The Government is yet to prepare an economic response budget.

# 7

## COVID-19 RESOURCE MOBILISATION MODEL.

In order to effectively fight against COVID-19, the Government of Zimbabwe will need both financial and non-financial resources. Based on how other Governments in Europe and Africa have responded to the outbreak main areas that will require resource allocation include:

- Support of medical facilities responsible for hospitalization of infected people.
- Infection detection and control efforts.
- Financial packages to mitigate economic impact to businesses and vulnerable members of the society.

In order to fund these initiatives, the Government of Zimbabwe will require funding from different sources as it may not have all the funds readily available from the fiscus. According the 2020 Budget Statement, as presented by the Minister of Finance and Economic Development, the Government of Zimbabwe was expecting to receive a total of US\$610.4 million from development partners to assist in humanitarian efforts following the devastating effects of the Cyclone Idai and the drought experienced during the 2018/19 cropping season

To that end the Government of Zimbabwe may need to do a similar call to these development partners to assist the country in the fight against COVID-19, which has seen global economies getting on the brink of an economic recession. This means that there is need for the development of a robust resource mobilization model that should result in a cohesive approach to the efforts with minimal duplications and maximum utility towards the fight. In coming up with this model, a reflection of lessons learnt around resource mobilization from the Cyclone Idai disaster would be crucial.



## 7.1 Lessons learnt from Cyclone Idai disaster

One of the key issues raised in the aftermath of the Cyclone Idai disaster was the level of preparedness of Zimbabwe for the type of disaster that faced the country. One of the major shortcomings identified was the lack of budgetary support given to the Civil Protection Unit to be able to adequately respond. However, a positive outcome from the crisis was in respect of how businesses and citizens came through in mobilizing resources to provide the required humanitarian assistance. Corporates such as Econet Wireless Zimbabwe mobilized funds from the general public and in return contributed dollar for dollar an equivalent amount raised from the public. Citizens like Freeman Chari based in the diaspora mobilized funds towards similar humanitarian efforts.

In a report commissioned by Oxfam Zimbabwe on November 2019, one of the key learning points from the Cyclone Idai disaster was the ability of Zimbabweans across economic, social and political divides to come together in resource mobilization. It also highlighted that social capital is a sustainable model for building emergency preparedness and response systems.

Nevertheless, several limitations were noted which limited the impact of these humanitarian efforts. Chief among them were:

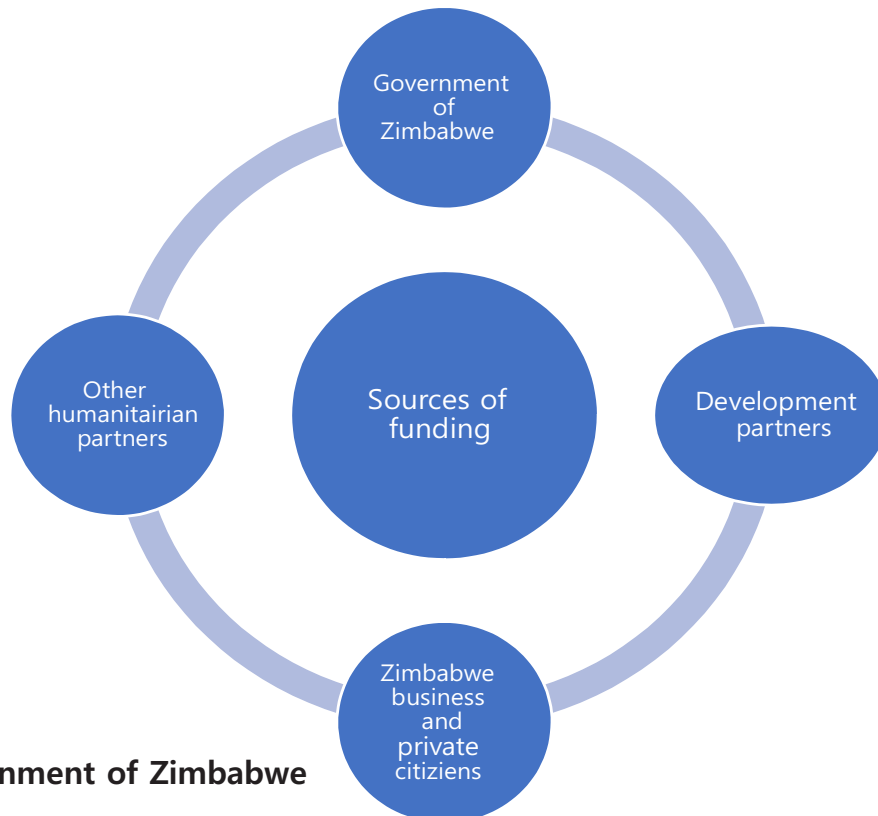
- Lack of a centralized coordination around resource mobilization efforts. This resulted in some duplication of efforts and resultantly a poor optimal allocation of resources to counter the effects of the disaster.
- The Government failed to provide leadership in coordinating these resource mobilization efforts from the general citizenry.
- Lack of a proper legal framework to be followed by businesses and individuals who mobilized funds from the public to ensure accountability and transparency in the handling of those funds.
- No formal report back process by Government to the public on how the resources mobilized for the disaster relief efforts were utilized with a view of ensuring accountability and transparency.

All these lessons should therefore inform how resource mobilization for COVID 19 response can be better managed to ensure the country obtains the maximum utility as well as building public trust in the whole process.

## 7.2 Major sources of financial support

In order to fight the pandemic, the major sources of resources can be identified to be as follows:

Fig 15:



The Government of Zimbabwe, through the Ministry of Finance and Economic Development may allocate funds and resources which will be utilized towards the fight against the COVID-19 pandemic. For example, when the President of Zimbabwe declared the national disaster and cancelled the annual

Independence Celebrations, he pledged that funds that had been earmarked for the celebrations would be reallocated towards the COVID-19 response efforts

## b) Developmental partners

These partners include both multilateral and bilateral partners. See table below for the developmental partners that supported the Government of Zimbabwe during the 2019 fiscal year.

Development Partner	Jan to Sept 2019 (Actual)	Projected 31 December 2019	Projected 31 December 2020
<b>Bilateral</b>			
USA	50,064,531	252,722,653	252,722,653
UK	50,000,375	83,460,375	112,992,500
European Union	41,086,881	59,731,595	72,947,916
Sweden	28,050,000	28,050,000	10,590,000
China	3,631,500	3,881,500	46,211,500
Japan	14,293,496	14,293,496	11,245,953
India	500,000	500,000	-
Switzerland	6,425,180	6,425,180	-
Sub – total	194,051,963	449,064,798	506,710,522
<b>Multilateral</b>			
Global Fund	88,684,303	88,684,303	116,728,288
World Bank	400,000	24,650,000	26,600,000
AfDB	21,401,088	21,401,088	3,412,133
UNICEF	8,810,587	8,810,587	7,809,000
UNDP	3,788,439	3,788,439	3,054,000
WHO	9,400,461	9,400,461	-
UNFPA	2,733,164	2,733,164	3,780,249
IFAD	712,639	712,639	6,436,751
FAO	732,782	732,782	644,000
ILO	329,760	329,760	1,050,000
IOM	-	-	373,457
ITU	62,000	62,000	-
UNESCO	58,670	58,670	-
IAEA	-	-	537,766
UNCTAD	-	-	500,000
Sub – total	137,113,893	161,363,893	170,925,643
<b>GRAND TOTAL</b>	<b>331,165,856</b>	<b>610,428,692</b>	<b>677,636,164</b>

Source: 2020 Zimbabwe National Budget Statement



### **c) Zimbabwean businesses and private individuals**

These are the general citizenry of Zimbabwe including both business and individuals.

### **d) Other humanitarian partners**

These may include other foreign humanitarian funders who may come through to support the Government of Zimbabwe in the fight against COVID-19

## **7.3 COVID-19 Resource Mobilisation steps**

To avoid some of the issues raised above, one of the key aspects is to ensure that there is coordination in the mobilization of resources by taking the following key steps:

### **STEP 1**

Through the Interministerial Task Force that was established by the President of Zimbabwe, a full needs analysis must be performed in order to define and quantify the resource requirements needed for the response efforts. The resource requirements dashboard must be a living document to allow for its continuous update to respond to any change in circumstances.

### **STEP 2**

It is recommended that the Government of Zimbabwe establish a centralized fund that will be responsible for collecting and administering all the resources mobilised to respond to the pandemic. The fund may be established in terms of the section 18 of the Public Finance Management Act [Chapter 22:19], which effectively gives the Minister of Finance and Economic Development the power to establish that fund.

The setting up of the fund would allow for the ring-fencing of all resources raised to combat the COVID-19 pandemic and minimize the risk of funds being used for unintended purposes. Furthermore, the separate fund would then be responsible for centralizing resource mobilization efforts for the country and provide a platform on which both private and developmental partners can contribute. This model has been followed by the South African Government which established the Solidarity Fund which is a platform that allows South African private citizens and organizations to contribute towards fighting against COVID-19 ([www.solidarityfund.co.za](http://www.solidarityfund.co.za))

The setting up of this fund would enable coordinated resource mobilization and further reduce the risk of duplication of efforts. It therefore avoids the occurrence of too many parties collecting funds and resources from the public with little or no legal framework to guide and monitor their activities.

In order to build public trust around the fund, it must be independently governed through the appointment of respect members of society to take up the governance roles of the fund. Those tasked with providing governance over the fund must ensure that there is transparency in the management of the fund by following some of the recommendations in Section 4 of this paper.

### STEP 3

A call to the public should then be made for the resource mobilization efforts, with the defined structure above already in place.

The above resource mobilization efforts would complement the funding and resources that will come from the Government itself and its developmental partners.

## 7.4 Resource Management and Distribution.

According to the World Bank, transparency in public finance management is an important means of strengthening good governance in the management and utilization of public resources. It is therefore important that the Government of Zimbabwe establishes a system for monitoring and accounting for all the resources mobilised towards the fight against COVID-19.

**Section 76(3)** of the Constitution of Zimbabwe provides that no person may be refused emergency medical treatment in any health-care institution. This means that the Government must ensure that all citizens should have equal access to emergency medical treatment should they be infected by the virus. It is therefore imperative for the Government to institute a system of distribution of resources across medical facilities to ensure that this right as provided for in the Constitution is realized.

Furthermore, Section 298 of the same constitution clearly outlines the principles of public finance management to be adhered to in with the utilization of public funds as follows:

- There must be transparency and accountability in financial matters.
- Expenditure must be directed towards the development of Zimbabwe, and special provision must be made for marginalized groups and areas.
- Public funds must be expended transparently, prudently, economically and effectively.
- Financial management must be responsible, and fiscal reporting must be clear.

Buttressing the aforementioned principles, the Public Expenditure and Financial Accountability (PEFA)<sup>7</sup> framework identifies the following as critical to public finance management:

- Transparency in public finances.
- Policy-based fiscal strategy and budgeting.
- Predictability and control in budget execution.
- Accounting and reporting.
- External scrutiny and audit.

This report will therefore make recommendations on how the Government of Zimbabwe can achieve these set principles in the management and distribution of the resources mobilised towards fighting COVID-19.

7. The Public Expenditure and Financial Accountability (PEFA) programme is sponsored by a multiagency partnership comprising the European Commission, the French Ministry of Foreign Affairs, the International Monetary Fund, the Royal Norwegian Ministry of Foreign Affairs, the Swiss State Secretariat for Economic Affairs, and the United Kingdom's Department for International Development and the World Bank

## 7.5 Recommended model for the management and distribution of COVID-19 resources

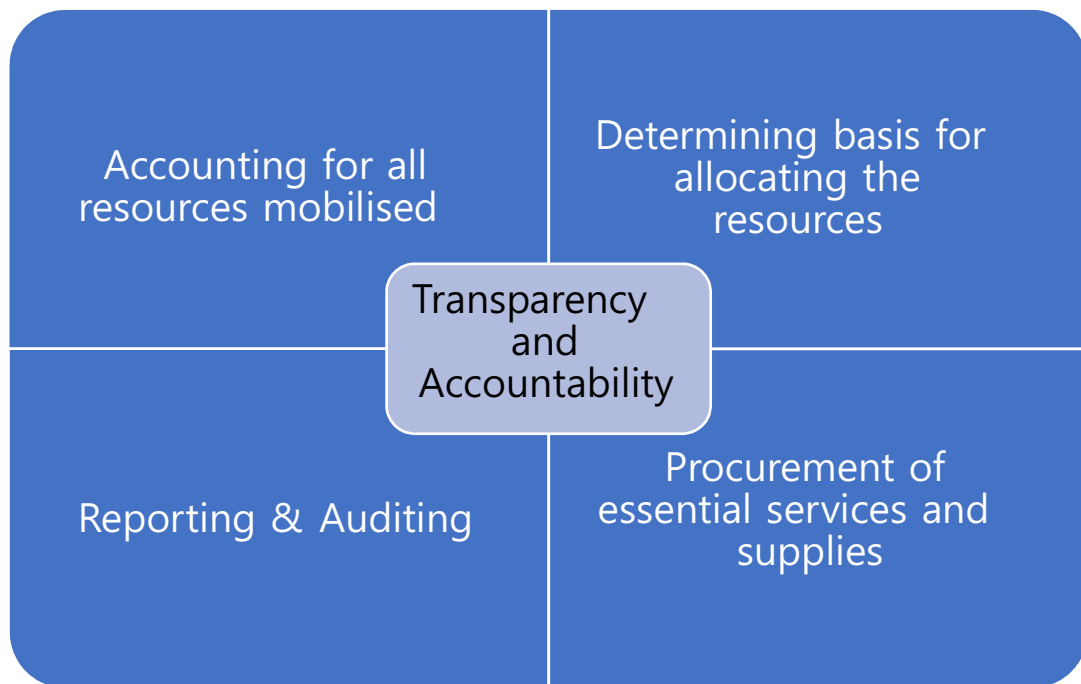


Figure 16

### 7.5.1 Accounting for all resources mobilised- Curb Corruption in humanitarian responses

The starting point in ensuring that the Government achieves accountability for all the resources mobilized is to establish a system to account for all the resources mobilized from both public and private sources. This can only be achieved through the establishment of a transparent system of recording and making publicly available information on all the resources mobilized. For example crowd funding platforms such as Go Fund Me ([www.gofundme.com](http://www.gofundme.com)) operate on the premise of allowing a transparent process of tracking funds raised measured against the fund raising target. In addition to being able to track funds and resources mobilized, the platform itself is useful in spreading the message on the fundraising initiative.

To that end the Government of Zimbabwe through the relevant Ministry (which in this case could be the Ministry of Health and Child Care) may set up an online platform which provides real time updates to the public on all the funds and other resources raised. This set-up would allow the public and other development partners to have a sense of the progress in the resources mobilisation against the set targets. The transparent nature of accounting for these resources would most likely result in greater participation by private citizens and businesses in supporting Government efforts on mobilising resources towards the fight against COVID-19.

### 7.5.2 Allocation of resources

To ensure an effective response to COVID-19, it is imperative for the Government to establish a system of allocating resources towards the various needs, for example, when the Government of Zimbabwe unveiled the USD26 million package for the fight against the virus, they identified broad budget allocation areas which included, Coordinating, Planning and Monitoring, Risk Communication, Points of Entry and Logistics, Procurement and Supply.

However, this budgetary system can further be improved by coming up with a model that ensures that resources are allocated where they are most needed. The model can be based on the following risk matrix:

- Projected number of cases in each area (geographical areas could be broken down based on the country's 10 provinces).
- State of medical facilities in each province.
- Number or population of vulnerable groups (elderly, unemployed, youths etc) in each province.
- General population density in each province.

This method of resource allocation would be in line with the performance-based budgeting model recommended by the PEFA framework. This model of resource allocation allows the Government to track and control spending by usage, relate resources to their results, and evaluate whether policy objectives have been met (in this case the objectives set out in the fight against COVID-19) and whether value for money has been realized or not. It also enables citizens, businesses and other interested parties to judge easily how public monies are being utilised and hold the Government to account.



## Procurement

In any public finance management system, procurement is regarded as one of the high-risk areas often prone to abuse. In Zimbabwe, the Procurement Regulatory Authority of Zimbabwe (PRAZ) is a statutory entity established through an Act of Parliament, Public Procurement and Disposal of Public Assets Act [Cap 22:23]. The mandate of PRAZ is to monitor public procurement proceedings to ensure transparency, fairness, honesty, cost-effectiveness and competition as required by Section 315 of the Zimbabwean Constitution.

It is therefore critical to ensure that all procurement processes are in line with the procurement regulations as established by PRAZ to guard against wastefulness in the utilization of financial resources raised towards the fight against COVID-19. This means that PRAZ must be actively involved in the work and decisions made by the Taskforce in as far as procurement is concerned. Given the historical background of tenders awarded to entities or individuals who failed to deliver, it is important that this process be conducted in a transparent manner through opening contracting and making public disclosures of all individuals and entities who are contracted to provide goods and services in this crisis.

## Reporting and Auditing

The Government must establish a system of reporting back to the public and other key stakeholders during and after the pandemic. This will go a long way for the general citizens and other interested parties to take stock of how public funds would have been utilized.

## Reporting during the outbreak

It is important for the Taskforce to provide regular (for example weekly updates could be done) feedback on the utilization of resources. The process should focus on giving feedback on the following key areas:

- Criteria used for resource allocation.
- Amount of resources allocated and distributed to date.
- Amount of resources yet to be distributed.
- Progress update on the resource mobilisation efforts.

These reports during the outbreak could also be used as a tool to trigger an additional call for support from the various Government funding partners.

### Post outbreak reporting

In terms of Section 299 of the Constitution of Zimbabwe, “Parliament must monitor and oversee expenditure by the State and all Commissions and institutions and agencies of Government at every level, including statutory bodies, Government-controlled entities, provincial and metropolitan councils and local authorities, in order to ensure that —

- (a) all revenue is accounted for;
- (b) all expenditure has been properly incurred; and
- (c) any limits and conditions on appropriations have been observed.

This therefore means that a final statement of account should be prepared detailing how much was mobilised and the related expenditures incurred. The report must also be subjected to an audit by the Auditor General in terms of Section 81 of the Public Finance Management Act. This process would ensure that all the resources that would have been mobilised are used for the intended purpose whilst building public confidence.



# 8

## .CONCLUSION

As highlighted above, COVID-19 has attendant socio-economic effects to the world economy in general and the Zimbabwean economy in particular and hence the need for a holistic approach to minimize the effects of this pandemic. The current COVID-19 pandemic as said by the UN Secretary General creates a threat to humanity itself. It is critical for us to set aside our differences and contribute towards a common cause of fighting COVID-19. However even in the midst of the current crisis it is always important to observe the principles of good public finance management to ensure effective utilization of resources in fighting COVID-19.





# 9

## REFERENCES

- Cyclone Idai in Zimbabwe: An Analysis Of Policy Implications For Post-Disaster Institutional Development To Strengthen Disaster Risk Management: Research by Kudzai Chatiza (PhD) Commissioned by Oxfam in Zimbabwe, November 2019
- <https://data.worldbank.org/indicator/BX.TRF.PWKR.CD.DT?locations=ZW-ZA-ZM-BW>
- [https://rbz.co.zw/documents/monthly\\_review/2017/December2017.pdf](https://rbz.co.zw/documents/monthly_review/2017/December2017.pdf)
- <https://rbz.co.zw/documents/mps/Monetary-Policy-Statement-17-February-2020.pdf>
- <https://www.imf.org/en/Countries/ZWE>
- <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#N>
- <https://www.reuters.com/markets/commodities>
- <https://www.reuters.com/markets/currencies>
- <https://www.timb.co.zw/>
- <https://www.unocha.org/story/un-issues-2-billion-appeal-combat-covid-19>
- [https://www.who.int/docs/default-source/coronaviruse/situation-reports/20200325-sitrep-65-covid-19.pdf?sfvrsn=ce13061b\\_2](https://www.who.int/docs/default-source/coronaviruse/situation-reports/20200325-sitrep-65-covid-19.pdf?sfvrsn=ce13061b_2)
- <https://www.worldbank.org/en/country/zimbabwe/overview>
- Quality of Public Administration A Toolbox for Practitioners, Luxembourg: Publications Office of the European Union, 2017
- WHO COVID-19 Strategic Preparedness and Response Plan - Operational Planning Guidelines To Support Country Preparedness And Response
- Zimbabwe 2020 National Budget Statement – Ministry of Finance and Economic Development





✉ [zimcodd@zimcodd.co.zw](mailto:zimcodd@zimcodd.co.zw)

☎ +263 242776830/1/5

🌐 [www.zimcodd.org](http://www.zimcodd.org)

🐦 @zimcodd1

🏠 Zimbabwe Coalition on Debt and Development