



ZIMBABWE COVID-19
RESPONSE MECHANISM

THE RESOURCE FACTOR!



Investing in People for Social & Economic Justice

COVID-19

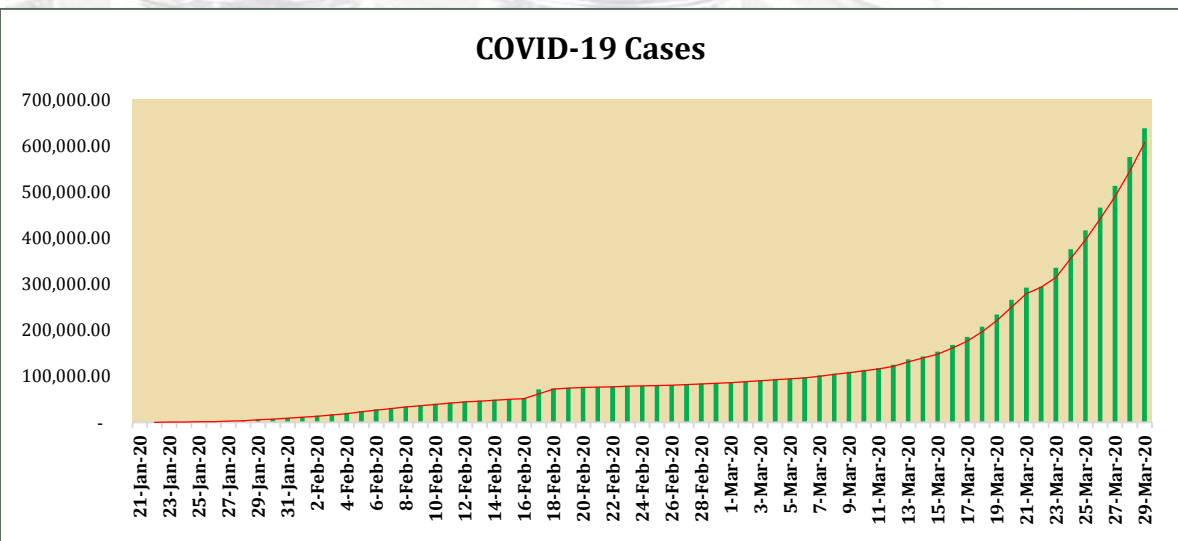
INTRODUCTION

KEY INSIGHTS

- Mortality rate - 3%
- Critical cases - 20%
- Recorded cases - 634 835 (as at 29 March 2020)
- Confirmed deaths - 29 957 (as at 29 March 2020)
- Affected Countries - 189 countries

Source:WHO

COVID-19



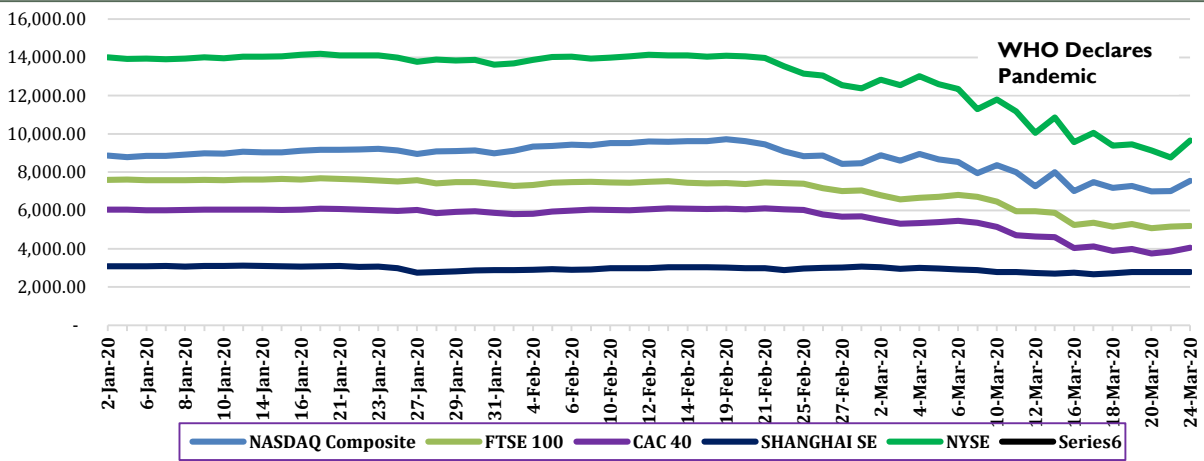
- According to World Health Organisation (WHO), COVID 19 is a new set of the Corona viruses’ family discovered in late 2019.
- Two other coronaviruses – Middle East Respiratory Syndrome (MERS) and Severe Acute Respiratory Syndrome (SARS) have killed more than 1,500 since 2002.
- The new disease, COVID-19, has 20% of confirmed cases globally having been classified as severe or critical.
- Zimbabwe has recorded seven cases of the COVID-19 with one death as at 29 March 2020.
- COVID-19 pandemic is likely to come with a lot of economic and social effects to the ordinary citizens of Zimbabwe.

Fig 1: Source: WHO

GLOBAL ECONOMIC IMPACT

COVID-19

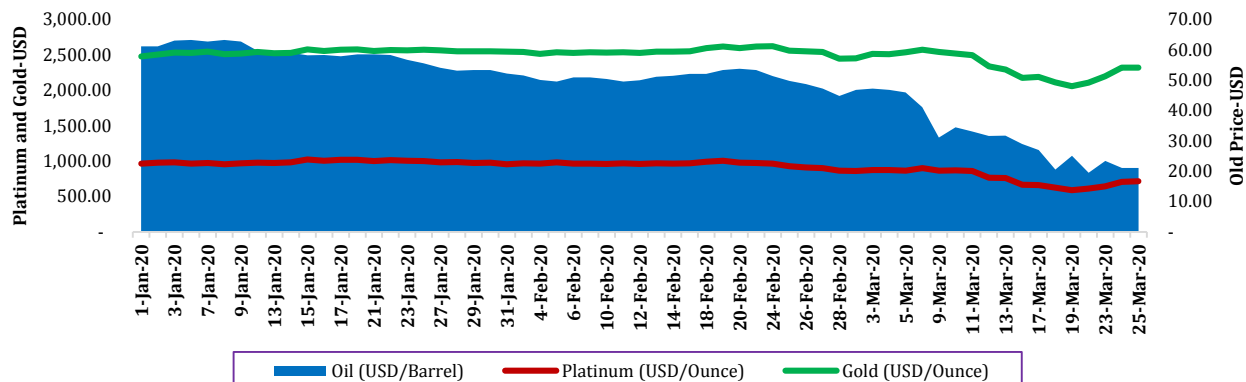
Stock Markets Performance



- Since the beginning of year NASDAQ Composite Index dropped by 15% from 8,872.22 points to trade at 7,553.83 points as at the 24th of March 2020.
- Following the pronouncement of the COVID-19 disease as a global pandemic, CAC 40 lost a further 16% between the 11th and 24th of March 2020.
- FTSE 100 and the NYSE lost 15% and 16% respectively following the COVID-19 being declared a global pandemic.

Commodities Market

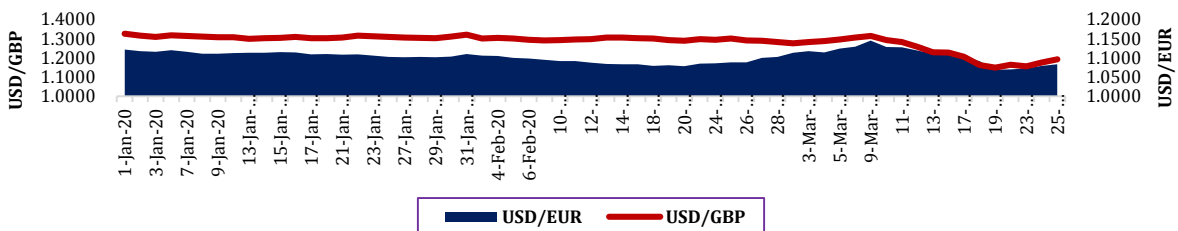
Oil, Platinum and Gold-USD



- Since the beginning of the year to date, Crude Oil lost 66%, to \$21.03 per barrel.
- A 37% decline 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 also lost 26% from \$963 per ounce to \$715.50 as at 25th of March 2020.

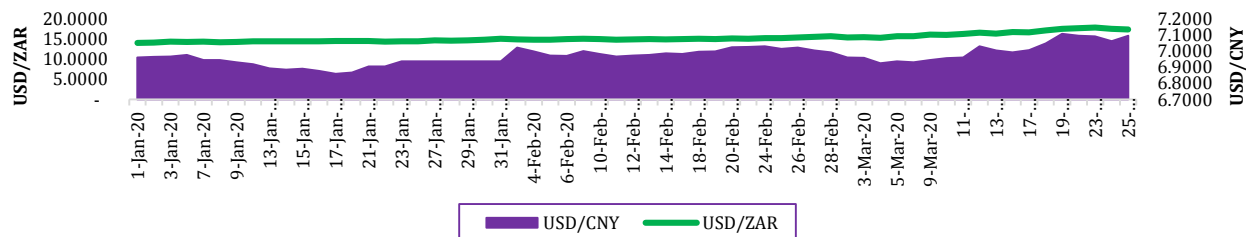
Currency Markets

Euro and GBP Performance



- Following the pronouncement of COVID-19 as a global pandemic by WHO, EUR and GBP currencies recorded a 7% and 4% depreciation against the USD respectively.
- Emerging markets currencies recorded a downward trend, with the South African Rand (ZAR) losing 23% since the beginning of the year from ZAR14.0064: USD\$1 to ZAR17.2817: USD\$1 as at the 25th of March 2020.
- Since the declaration of the COVID-19 as a global pandemic, South African Rand lost 7% against the United States Dollar in the subsequent week.
- The Chinese Yuan also lost 2% of its value from the day the virus was declared a global pandemic.

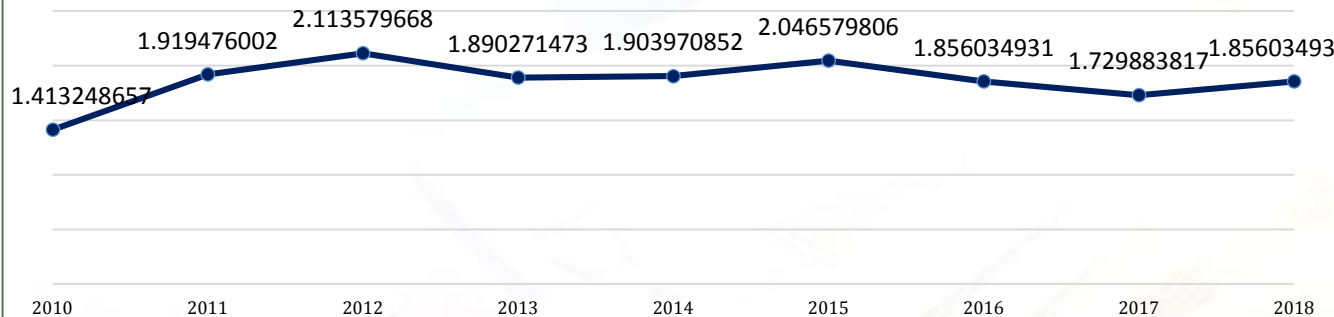
Yuan and Rand Performance



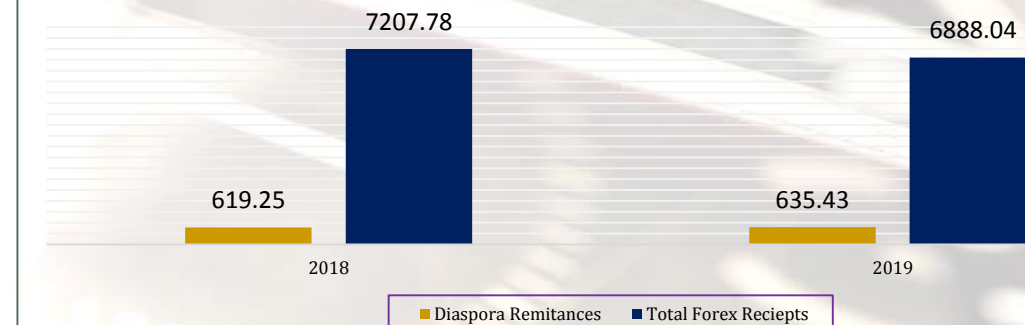
NB: The global currency, stock and commodities markets are important to Zimbabwe because Zimbabwe is dependant on these very markets for its commodity exports. As a result the performance on these markets inevitably affects domestic economic factors.

Remittance | Personal | cash remittance & FX receipts

Personal Remittances(USD)



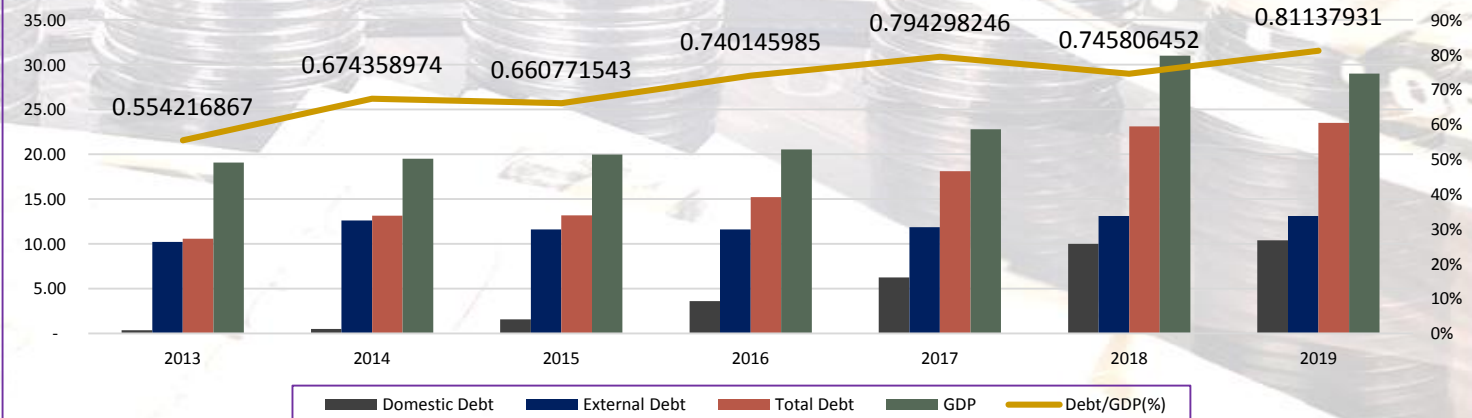
Cash Remittances v Forex Receipts-USD\$m



- With diaspora incomes contracting due to the shutdown and social isolation, most households that depend on diaspora in Zimbabwe are at risk of hunger and starvation. The restrictions in terms of movement of goods and the disruption to business will have negative effects to the Zimbabwean general population.
- The expected decline in diaspora remittances is projected to have an effect on the country's already acute foreign currency challenges. Remittances have been contributing 10% of the forex receipts which is a big economic factor. A decline in individual cash remittances is most likely going to affect small to medium scale businesses in retail, hardware etc as the remittances form a primary source market for these market players.

Debts sustainability

Zim Debt Sustainability-USD\$m



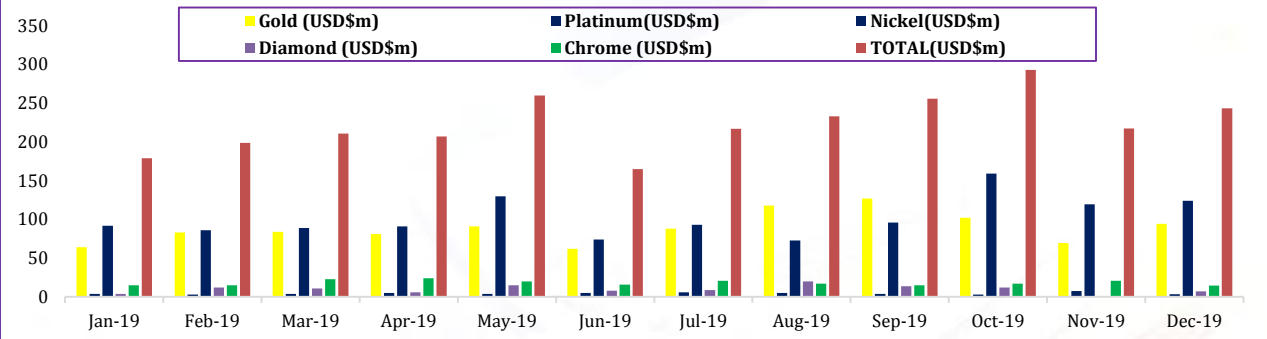
Total Debt as a percentage of the Gross Domestic Product (GDP) has grown from 49% in 2013 to 75% as at end of 2019. With the COVID-19, it is expected that the Government will resort to domestic borrowing using Treasury Bills and other market instruments in order to finance the additional expenditure. This will therefore :

1. Worsen the country's debt sustainability, resulting in an exponential growth in money supply with its attendant negative effects on the exchange rate and inflation.
2. Hamper the country's ability to attract loans from Development Financial institutions.
3. Result in high sovereign risk rating emanating from the debt unsustainability which will also limit the private sector's ability to borrow from international financial markets.
4. Negatively affect the ability to finance social welfare related expenses eg (Women, Youths and other vulnerable groups).
5. Affects efforts around industrialisation, production and job creation.



Mining Sector

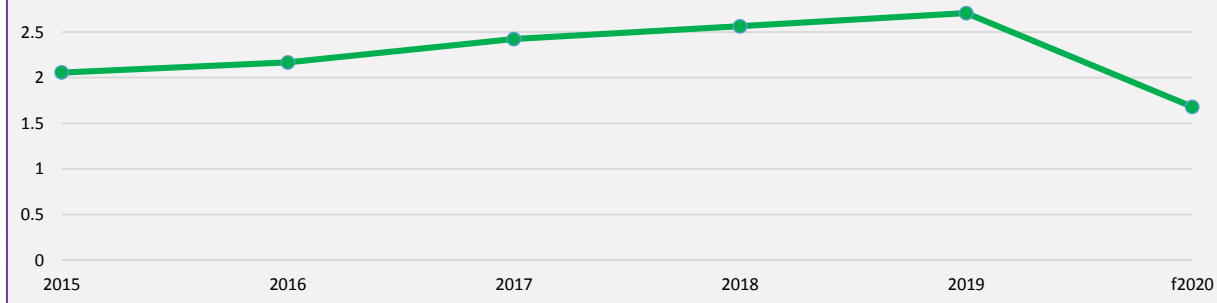
Mineral Exports-USDm



- Global demand for minerals slumped with China recording a strong drop in PMI for the month of February 2020, dropping from 50.0 to 35.7. This will :
 - 1) Worsen the country's already delicate foreign currency situation.
 - 2) Negatively affect the country's fuel situation.
 - 3) Negatively impact to the livelihoods of small mining scale players and their families.

Tourism Sector

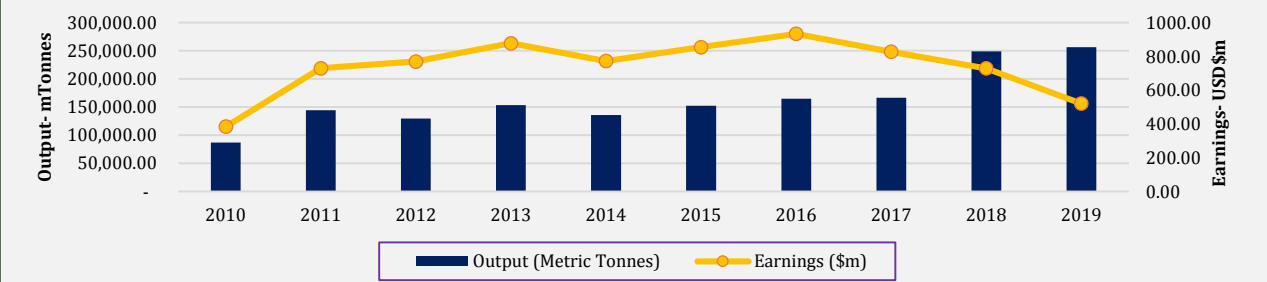
Tourist Arrivals-billions



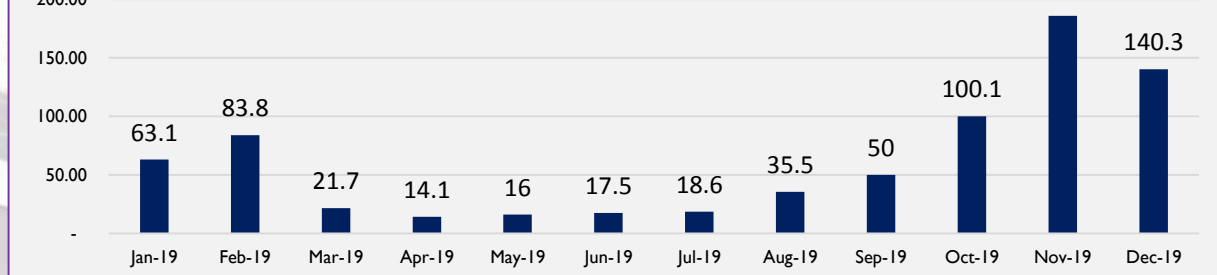
- Zimbabwe tourist arrivals are likely going to decline by the same margin as demonstrated in the figure above. The fall in tourist arrivals will also affect the country's foreign currency situation.
- Travel restrictions and flight cancellations/frequency reduction will significantly diminish the supply of travel services (both domestic and international) while demand continues to retract.
- General job losses is likely to be felt across tourist hubs like Hwange, Vic Falls and other tourism service providers.

Agriculture | Tobacco

Tobacco Output(mTonnes) and Earnings(USD\$m)



Flue Cured Tobacco Exports (USD\$)



- China (affected by the pandemic) takes up over 30% of the annual tobacco volumes traded at the auction floors according to TIMB. Effect of COVID-19 is likely to result in depressed prices for this upcoming auction season.
- With 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.
- 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 for the coming season.
- Players in the agricultural value chain will likely register massive losses due to the failure to deliver goods to the market in the event of a complete shutdown.
- 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

Following the declaration of the 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.

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
Total	USD26 388 380

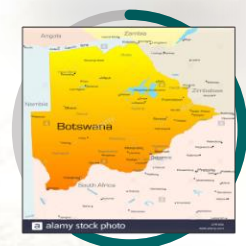
Comments

- Subsequent to the USD\$26m budget, the Government has indicated the need for an additional US\$100 million to finance an effective response mechanism to COVID-19.
- Given the extent to which the COVID-19 pandemic is expected to spread, with some countries expecting that the virus will infect between 60% to 80% of their population, the financial package unveiled by the Government of Zimbabwe may not be enough.
- All over the World Governments have come up with budgets to fund the response effort to fight against the COVID-19 pandemic.

Other Countries



- **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.



- **United States :** The Government is looking to unveil a 2 trillion United States Dollars rescue bill to address the effects of the COVID-19 pandemic on the economy

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

INTRODUCING A NEW FUNDING MODEL





- In order to effectively fight against the COVID-19 outbreak, 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:



COVID-19

ESTIMATED BUDGET COST

**Scenario 1
20 to 40%
Infection rate**

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
Total	105,500,000.00

- 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)

**Economic impact
response budget**

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
Total	205,000,000.00

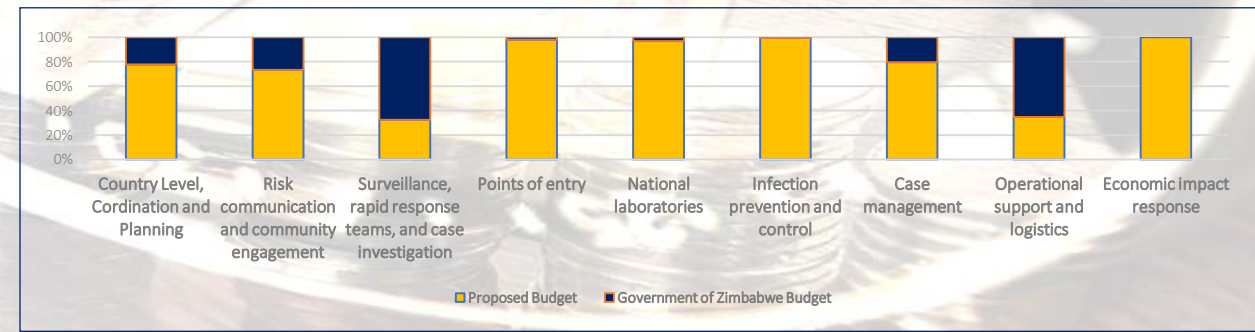
- Key Estimate Assumptions**
- Zimbabwe is largely informalized and there will be need to support these SMEs. As of 2019 ZIMRA had approximately 18 500 registered SMEs and these would most likely be in need of this financial assistance.
 - It is expected that there will be reduced economic activity during the COVID-19 pandemic period.
 - 5.7 million people living under extreme poverty (source: world bank), therefore increasing need for support of vulnerable groups such as the elderly and the youths.

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

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	96,000,000.00
Infection prevention and control	50,000,000.00
Case management	16,000,000.00
Operational support and logistics	6,500,000.00
Total	183,500,000.00

- 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)

ZIMCODD Proposed Budget vs Government Budget



- 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.

Zimbabwe business and private citizens



These are the general citizenry of the country of Zimbabwe which includes both business and individuals.

Developmental partners



Partners include both multilateral and bilateral partners

Government



The Government of Zimbabwe through the Ministry of Finance may allocate funds and resources which will be utilized towards the fight against the COVID-19 pandemic.

Other humanitarian partners



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

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



STEP 1

Establish a centralized fund that will be responsible for collecting and administering all the resources mobilized to respond to the pandemic.



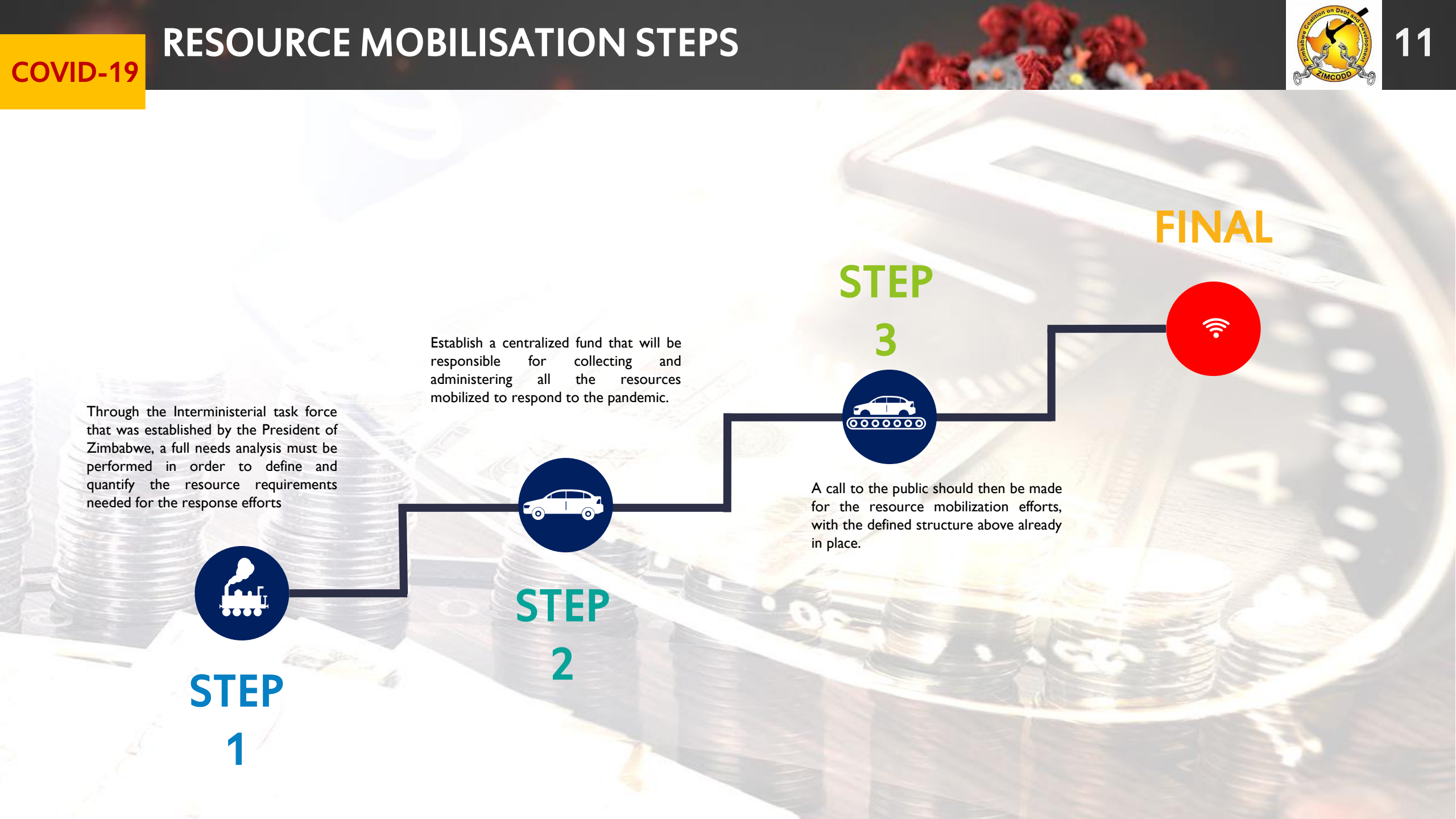
STEP 2

STEP 3



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

FINAL



Multilateral engagements on debt

- With a total external debt of USD13.13b as at December 2018 (RBZ), there is need to kick start engagements on debt repayments so as to avoid a continuous accrual of interest on the nation's stock of debt.
- The Government of Zimbabwe needs to exercise a balance between mitigating the effects of COVID-19, maintain fiscal discipline and implement fiscal reforms for effective use of available resources for development and maintaining debt sustainability levels noting that according to the IMF Report of February 2020 on the 2019 Article IV Consultations with Zimbabwe, Zimbabwe was off track on reforms and took policy missteps that defeat good economic and fiscal governance.

Downward review of Individual income tax

- 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 the Income tax free threshold from the current ZWL\$2,000 to a minimum of ZWL\$4,188 or align it with the PDL.



Deferment arrangements for corporate tax

- Informed by the need to save jobs, the Government should enter into deferment arrangements with those companies that demonstrate that the COVID-19 pandemic has affected their normal trading operations on the strict condition that their current tax affairs are in order.
- 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 the COVID-19 pandemic on their businesses.

Bank loan repayment holidays

- There is need for Banks to extent 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
- In New Zealand, the Government announced a six (6) month moratorium on mortgage repayments for those affected by the COVID-19 pandemic. 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.



Payment of pharmaceutical companies in foreign currency

- To maintain an adequate supply of drugs in line with the increased demand for flu-related medicines, there is need for the Government to consider paying pharmaceutical manufacturers in foreign currency.
- 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.

Removal of duty on all food imports & Waiver of customs duty on COVID-19 related drugs, materials and equipment

- Government should 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.
- There is need for the Government to gazette a special Statutory Instrument that empowers ZIMRA to waive customs duty and other import taxes on drugs, materials and equipment imported into the country to support the response to the pandemic.



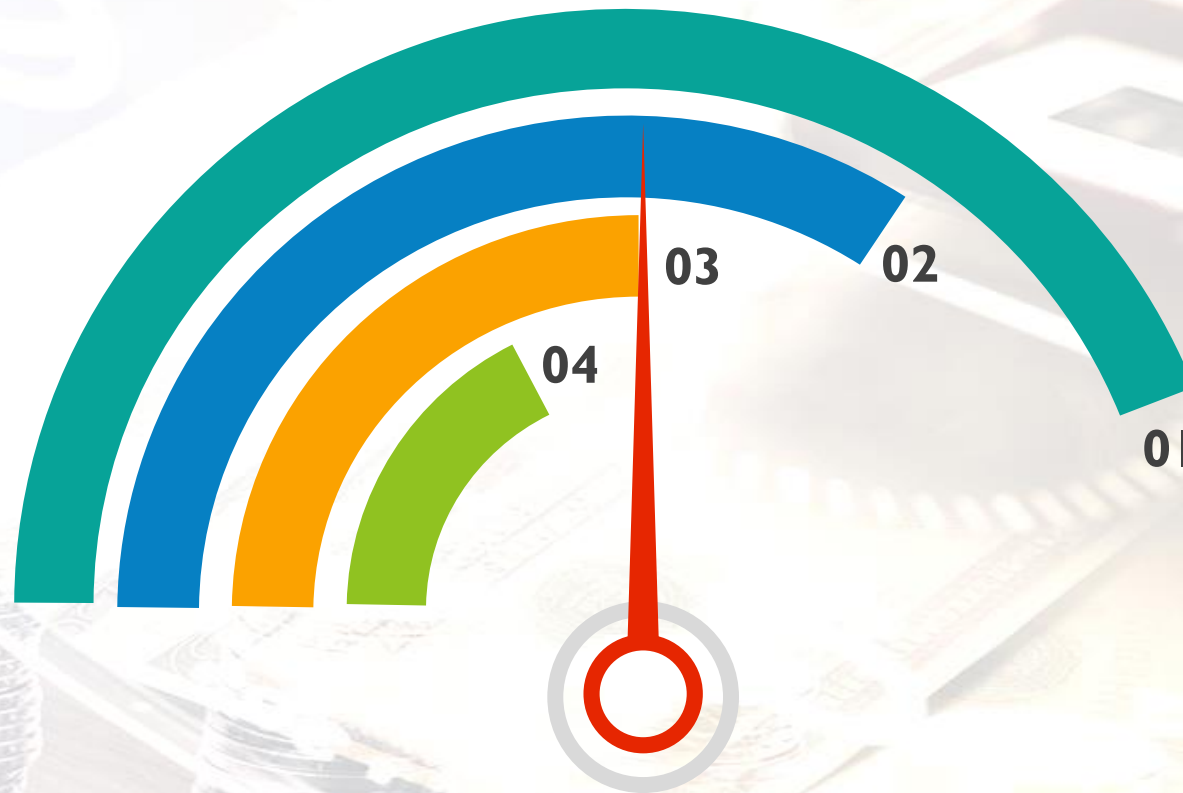
Reduction of RBZ foreign currency retention thresholds on export earnings

- 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) and the effects of the COVID-19

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

- The Tax Free threshold for the 2% IMTT tax is currently 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 inflationary pressures.





01 Accounting for all resources Mobilised

The Government of Zimbabwe through the relevant Ministry may set up an online platform which provides a real time update to the public on all the funds and other resources raised. Anti-graft measures must be put in place to ensure there is no misuse of public resources meant for the COVID-19 Response

02 Determining basis for allocating the resources

It is imperative that the Government establishes a system of allocating resources to the various needs based on Projected number of cases in each area, State of medical facilities in each province etc

03 Procurement of essential services and supplies

It is therefore critical that all procurement processes are in line with the procurement regulations as established by PRAZ to ensure that there is no wastefulness in the utilization of financial resources raised for the fight against the COVID-19 pandemic

04 Reporting & Auditing

Establish a system of reporting back to the public and other key stakeholders during and after the pandemic. This would also enhance the transparency of how the public funds raised would have been utilized.