ZIMCODD

ZIMBABWE COALITION ON DEBT AND DEVELOPMENT

WEEKLY ECONOMIC REVIEW AND UPDATE

23 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 (09.03.2021)	Week (16.03.2021)
ZWL83.9827 per USD1	ZWL83.9830 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 (14.03.2021)	Week (21.03.2021)
Positive cases 36 484	**Positive cases** 36 665
Recovered 34 043	**Recovered** 34 269
Deaths 1 503	**Deaths** 1 512

COVID -19 Vaccinations

Vaccinated 01/03/21: 2163
Cumulative Total: 43 294

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Notable Issues This Week

TREASURY URGED TO RELEASE COVID-19 CUSHION ALLOWANCES
The Minister of Public Service, Labour and Social Welfare this week announced that Treasury has not yet authorized the Ministry to extend the COVID-19 cushion allowances beyond December 2020. Government has previously indicated the availability of budget surplus funds from the 2020 National Budget to help mitigate pandemic impacts. However, the failure to release funds denies vulnerable and marginalized Zimbabweans of the much-needed assistance to meet their basic needs in a difficult social and economic environment. ZIMCODD calls upon Treasury to release the funds to cushion the poor and to ensure timely, predictable and equitable access to cushion allowances to marginalized groups particularly the elderly, disabled, child headed households and other critical groups. Monitoring data indicative of the impact to date of delivered allowances as well as the impacts of non-delivery could also inform the development of medium to long-term COVID specific public support mechanisms to help priority groups mitigate known effects.

CHILONGA COMMUNITY HAS A RIGHT TO COMPENSATION
The promulgation of Statutory Instrument (SI) 72 of 2021 supersedes the unpopular S1 50 following public outcry against the possible forced eviction of about 12 000 people from Chiredzi South in the Chilonga area. In this regard, the updated SI 72 underscores that possible relocations would be in aid of a mega irrigation Project in which the Chilonga Community are slated to benefit. In spite of the repeal of S1 50 the Chilonga Community has sustained its protest highlighting a commonly held fear that the government will not fulfil its commitments to address the adverse impacts of proposed developments on their collective wellbeing. Several high-ranking officials have made it clear that proposed developments will continue regardless. This obtaining reality brings to the fore the issue of fair and just expropriation. In particular the issue of compensation.

MAKE THE LAND BANK WORK FOR POOR FARMERS
Agriculture Is one of the key growth sectors prioritised in the National Development Strategy I (NDS1 2021-2025). Accordingly, the NDS1 seeks to restructure and transform the state-owned Agricultural Bank (Agribank) into the Land Bank to enhance the financing options of the different strands of

agriculture. Lack of access to appropriate financing models is a fundamental weakness of Zimbabwe's agricultural system which limits growth in both commercial and smallholder agriculture. In this regard, the Land Bank is expected to meet banking and financial services requirements for commercial farmers, A1, A2, resettled and communal farmers as a way of recovering agricultural productivity, ascertain food security and contribute to GDP.

1. COVID-19 Resource Tracker

The COVID-19 resources tracker is a ZIMCODD initiative to keep track of all resources pledged, received and utilised by the Government of Zimbabwe in response to the COVID-19 pandemic from March 2020 to date. The aim of the COVID-19 resources Tracker is to strengthen transparency and accountability by the government on COVID-19 resources while empowering citizens with information to hold the government to account on allocation and utilization of COVID-19 resources.

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 tracker is updated on a weekly basis to show pledges honoured, resources received and resources expended.

Overall COVID-19 Resources

Total Pledges = US$766,475,257; **Honoured Pledges =** $562,228,071; **Amount Spent =** $304,881,082

For the week ending 18 March 2021

Total Pledges = US$0; **Honoured Pledges** =US$14,500,000; **Amount Spent** = US$14,500,000

Note: Honoured pledges and amount spent here are inclusive of donations made before this week.

Concerns and recommendations

1. **Overhaul social protection system. Introduce Universal Basic Income:** The economic impacts of COVID-19 disproportionately affect women and youth from historically resource poor backgrounds and areas. A robust social protection system is required to keep Zimbabweans from falling further down the poverty trap. The COVID pandemic and mounting climate induced crises **validates** the need for increased public expenditure to provide social protection for poor and vulnerable groups. According to field reports, beneficiaries of COVID-19 cushion allowances last received support (ZW$300/per household/per month) in September 2020. Zimbabwe's inadequate and inconsistent social protection mechanisms require urgent reform to ensure that all Zimbabweans access the basics for a dignified life. The introduction of a Universal Basic Income is a proven way to ensure social protection cover for those in need.

2. **Treasury must urgently authorize COVID-19 cushion allowance:** The Minister of Public Service, Labour and Social Welfare this week announced that Treasury has not yet

authorized the Ministry to extend the COVID-19 cushion allowances beyond December 2020. Government has previously indicated the availability of budget surplus funds from the 2020 National Budget to help mitigate pandemic impacts. However, the failure to release funds denies vulnerable and marginalized Zimbabweans of the much-needed assistance to meet their basic needs in a difficult social and economic environment. ZIMCODD calls upon Treasury to release the funds to cushion the poor and to ensure timely, predictable and equitable access to cushion allowances to marginalized groups particularly the elderly, disabled, child headed households and other critical groups. Monitoring data indicative of the impact to date of delivered allowances as well as the impacts of non-delivery could also inform the development of medium to long-term COVID specific public support mechanisms to help priority groups mitigate known effects.

3. **Approval of E-learning national strategy for schools must be followed up by action:** Cabinet is roundly commended for the timeous approval of the e-learning national strategy for schools in 45 days. The Strategy aims to ensure that learning disruptions caused by COVID-19 are bridged. This is particularly critical for rural and other vulnerable children's whose rights to education have been undermined by the lack of access digital tools and resources. No doubt this is a step in the right direction as was the dominant resource allocation to education in the 2021 National Budget. However, a lot more needs to be done for Zimbabwe to ensure the right to education for a growing youth population. Urgent areas for policy attention include: i. Educators' welfare and remuneration; ii. School construction and infrastructure development; iii. Digital access and learning devices; iv. Effective regulation and Parents' involvement in Education Policy; v. Curriculum development, testing and grading.

4. **ZWL$600 million Schools re-opening budget must be accounted for:** A growing sense of inadequate or uneven levels of preparedness for schools re-opening is very worrying. Thus, there is need for Government to provide clarity on the distribution and intended impacts of the ZWL600 million Schools re-opening budget. It is understood that the resources were deployed towards e.g. acquisition of COVID-19 sundries for students and teachers after schools reopened on 15th March 2021. Greater detail would enable the nation to identify potential gaps and areas for policy strengthening. As the government rolls out the national e-strategy for schools, it must ensure that that resources are distributed fairly across all districts and rural communities are not left out. The acquisition of gadgets and other e-learning requirements must be done in a fair and transparent manner. The government should release the $600million to ensure schools are equipped with PPE's and other WHO stipulated COVID-19 necessities to allow for safe onsite learning. Teacher welfare issues must not be left to Parents – the government and Representative Unions must come to a just resolution in the nation's interest.

5. **No to unsustainable COVID debts:** The Government of Zimbabwe is pursuing a 25year loan to the tune of US$10million from the Arab Bank for Economic Development to finance its COVID-19 interventions. ZIMCODD urges Parliamentary Oversight of COVID-19 debt contraction processes and greater scrutiny of debt agreements. The release of the Auditor General's Report is vital to illuminate debt management and public resource management trends in the context of an unprecedented pandemic. Lessons learnt from the as yet unreleased Auditor General's Report will benefit emerging debt acquisition processes to

support the national COVID-19 response and recovery plan. Ultimately, sustainable public debt management reform is necessary for Zimbabwe to wean itself from unsanctioned borrowing and spending. Parliament's oversight on approving debt acquisition and facilitating public scrutiny of debt processes remains central to the nation's hopes of escaping the debt trap.

6. **Broad-based public education on COVID-19 vaccines necessary to speed up the vaccine roll-out and increase vaccine uptake -** Zimbabwe should be alive to the fact that COVID-19 vaccination is gradually becoming the key to all social and economic activities in this country and beyond. The President is set to launch the second phase of the COVID-19 vaccination programme in Victoria Falls this Wednesday, 24th March 2021. It is, however, worrisome that since the launch of the first phase on 18th February 2021 and the receipt of the second batch of vaccines from China, Zimbabwe has only vaccinated 43 294 people (as at 22nd March) constituting about 0.43% of the target i.e. 10million people for the country to achieve herd immunity. Citizens also bemoan how schools reopened without teachers being subjected to a vaccination programme as if to suggest they are not a priority, this may be a hub for new infections. Other reasons for the low uptake of vaccines include the deplorable public health system; lack of access to information; lack of clarity on the roll-out strategy; limited scope and reach of Government's vaccination programme; and lack of public education on vaccines efficacy and side-effects among others. A broad-based public information programme is therefore critical to eliminate misinformation and disinformation around COVID-19 vaccines and to increase acceptance and uptake. The establishment of vaccination points and Information Centers on all primary healthcare settings is recommended to kickstart a massive vaccine roll-out campaign.

2. Make the Land Bank work for poor farmers

Agriculture Is one of the key growth sectors prioritised in the National Development Strategy 1 (NDS1 2021-2025). Accordingly, the NDS1 seeks to restructure and transform the state-owned Agricultural Bank (Agribank) into the Land Bank to enhance the financing options of the different strands of agriculture. Lack of access to appropriate financing models is a fundamental weakness of Zimbabwe's agricultural system which limits growth in both commercial and smallholder agriculture. In this regard, the Land Bank is expected to meet banking and financial services requirements for commercial farmers, A1, A2, resettled and communal farmers as a way of recovering agricultural productivity, ascertain food security and contribute to GDP.

The Government of Zimbabwe is highly commended for meeting the NDS1 schedule to establish the Land Bank by end of March 2021.

The Land Bank is envisioned to operate with four subsidiaries, that is: i. the Leasing Company, ii. the Insurance Company, iii. Agribank and, iv. the Land Bank.

The Land Bank must enable farmers to borrow against 99-year leases

Complimentary legal provisions are required to resolve the longstanding challenge of lack of collateral security which inhibits farmers from borrowing against the land they are working on or any other bankable assets. The vast majority of smallholder farmers in Zimbabwe are devoid of valuable assets that can be pledged as collateral to secure commercial loans. The transformation of Agribank was supposed to concur with the granting of 99-year leases to enable farmers to borrow against the same – this legal dispensation must now come into effect. Most resettled farmers are still to transform into full-scale commercial farmers due to in-access to capital. The Land Bank is obliged to consultatively develop just and equitable financing vehicles to facilitate access to inclusive financing to unbanked and marginalised farmers especially women and youth. lack of such complementary legal provisions discounts the impact of the Land Bank.

Adequate capitalisation critical to the Land Bank's success

It remains unclear whether the 700 million outlined in the 2021 National Budget includes the Bank's start-up costs and working capital. Others have even questioned whether there is a link between the Bank and the 3.5 Billion farmers compensation agreement. Given the varied scope of the business of the Land Bank (leasing, insurance, and banking), there is need to ensure that the Bank is well capitalised to meet all capital requirements of the different business lines.

Adequate capitalization is central to the achievement of the Land Bank's goals and objectives. The capitalization of the Land Bank is financed by the fiscus amidst the concern of limited fiscal space. Large banks of the likely nature of the Land Bank require US$30 million (with the possibility of an increase to US$200 million), the insurance arm will require US$5 million (with the possibility of an increase to US$ 37.5 million) whilst the Leasing arm requires US$ 5 million. Theses high capital requirements might be a strain on the fiscus. As such a staggered approach to the establishment of the Land Bank might be a viable option. Other capitalization options such as a predominantly private sector funding base, with the government retaining a non-controlling stake seem incompatible with the peculiar circumstances of Zimbabwe's Land Bank. Attracting investment into the Bank from the Zimbabwean diaspora is highly lauded as a viable option is mechanisms and guarantees including a permissive Visa dispensation for diaspora investment could help unlock resources from the diaspora to enhance Zimbabwean agriculture. The difficulties in addressing liquidity challenges perhaps explain why, the history of land banks is checked with sub-optimality and why Land Banks in other countries end up reliant on tax-payer's money to conceal losses.

Adopt innovative and inclusive lending models

The Land Bank has strong reason to adapt innovative lending models associated with microfinance to facilitate the inclusion of all productive farmers. For instance, collateral-free loans have been successful in financing Small to Medium Enterprises in most developing countries. However, the efficacy of the same as a large-scale public policy mechanism to facilitate strategic resources transfers to small holder farming community has not been fully explored. Other models such as including equity ownership arrangements, use of livestock as guarantees and third-party loan guarantees etc are indicative of the possibilities available to the Bank if unencumbered by business-as-usual policies. The use of traditional banking and Micro-finance Institutions as redistributive vehicles to transfer resources to a largely unbanked farming majority must prompt a rethink. Alternative lending models leveraging digital payment platforms and the participation of local Agri-Tex extension, input distribution and support systems could help make access to timely and integrated agricultural support packages a reality for under-supported farmers.

The Land Bank can enhance financial inclusivity through accessible financial products tailormade to meet the realities of typical farmers. For instance, a farmer requires a loan to finance the acquisition of inputs. However, such a loan requires a cover (insurance) against drought and default. Financial innovation has seen the packaging of agricultural loans and insurance amidst several structures of blended financial products. However, the Zimbabwean market is still nascent with respect to varied blended financial products. Considerations of gender, regional disparities, historical factors, agricultural sectors can also be factored into the pricing schedules of blended financial products in order to maximise the developmental and redistributive impact of the Land Banks's financial services.

Safeguard the Land Bank's Independence

The political sensitivities of the land question in general can be ameliorated through stringent measures to safeguard against the encroachment of partisan political influence into the Bank's allocative decisions. Guaranteeing the independence of the Land Bank is a responsibility requiring the joint push of the Banks' appointed Board, Parliament and Constitutional oversight bodies responsible for corruption, rights and gender. A robust civic education and consultative process is vital to transform attitudes amongst farmers to embrace the commercial prerogatives of the Bank alongside its developmental aspirations. Given the invested political capital in the farming community, political considerations are bound to impede objective and commercial lending – a risk that the Bank must diligently put measures to resolve. Radical professionalism is also required to undo the dominance of political interference in the operation of the Land Bank. Already the Board of the Land Bank has extraordinary political pressure and legacy issues to contend with. It therefore falls upon the Board to exercise and insist on stringent corporate governance and adherence to strict banking protocols in order to stay above the political fray.

3. New Exclusive Prospecting Orders must compel stronger governance of the mining sector

The Government of Zimbabwe has issued 25 Exclusive Prospecting Orders (EPOs) as part of its thrust to achieve a 12-Billion-dollar mining industry. EPOs are expected to unlock new opportunities for the mining sector. The mining sector is a major contributor to the country's exports. Recently Zimbabwe has witnessed an improvement in the trade balance and it is hoped that by expanding the mining sector, the positive trade balance can be sustained thus improving the country's financial position. However, for these benefits to be realised, there are a number of factors that must be understood. Key amongst these factors is the quality of governance. Empirical studies in development economics have established the relationship between better governance and the economic performance of a country and improved social indicators (Kaufmann et al, 2000). With regards to the mining sector, governance influences levels of revenue contributions to the fiscus, the effectiveness of regulatory frameworks against illicit financial flows and other vices in the extractive sector as well as the human rights conditions in mining areas.

According to International Council on Mining and Metals *"Good governance generally implies that the rule of law is respected, corruption is kept in check, political institutions are stable, government is effective and citizens are able to hold government to account. Good governance requires a broader political environment that encourages accountability – for example, by allowing a free press and an active civil society".*

Initially, good governance aids in attracting good deals during the exploration stages. It also supports the effective collection and expenditure of revenues with the aim to enhance quality of life and long-term economic prosperity. This has been an elusive dream in the case of Zimbabwe's mining sector. The sector has been marred with massive corruption, leakages, nepotism and under declaration of minerals which has done more harm than good to the general populace. Hence it is understandable that the ordinary citizen finds no reason in celebrating the granting of EPOs.

Granting of EPOs alone won't translate to better mining sector prospects, it needs supporting policies. For example, there is need to promote accountability in the mining sector, and a key component to drive accountability is transparency. Parliamentary oversight and community engagement are indispensable to the achievement of transparency and accountability from the mining sector. Oversight and community engagement must span from contracts, mine ownership, mineral declaration and revenue payment and management.

Transparency must also be extended to the utilization of mining funds for socio economic development. Typically, this is relegated to voluntary and unregulated Corporate Social Responsibility initiatives with a public-relations and welfarist orientation. Legal compulsions must be put in place for communities to determine the priorities for corporate investment in local development.

Economic benefits from the mining sector have been more pronounced in countries with better infrastructure and strong industry linkages. This suggests that for Zimbabwe to fully benefit from the vast mineral deposits there is need to invest more in infrastructure as depleted infrastructure tend to increase the cost of doing business.

Higher contributions to GDP can be realised through legal and policy compulsions for Mining companies to prioritise domestic procurement. Mining being a mechanised process by nature, it uses sophisticated machinery and if this machinery is imported, the benefits of exploration are limited to the host country. It is therefore suggested that, Zimbabwe must invest more in the industrial sector to boost domestic procurement and realise the full benefits of the vast mineral deposits.

4. Chilonga Community has a right to compensation

Following the public outcry against the possible forced eviction of about 12 000 people from Chiredzi South in the Chilonga area, the Government of Zimbabwe repealed Statutory Instrument 50 (S150) and replaced it with SI 72.

S1 72 may also be cited as Communal Land (Setting aside of Land) (Chiredzi) Notice 2021. Through this notice, Government will set aside an area of land of approximately 12 941 hectares in extent with effect from the date of the publication of the notice for the purpose of establishing an irrigation scheme. Prior to the repeal; the repealed S1 50 had indicated government's intention as being to set aside approximately 6 000 hectares for the purpose of establishing a lucerne project.

SI 72 does not directly address concerns about the possibility of displacements and the need to address the Chilonga Community's broader demands for security of tenure and equalising development. Rather it seeks to absolve government of legal accountability by locating the possibility of displacement within the context of an irrigation Project in which the Chilonga Community are identified as direct beneficiaries. Hence according to Government, the Chilonga

Community will not be removed entirely from Chiredzi but will be relocated within the region where necessary to pave way for irrigation pipes and canals.

The Chilonga Community has sustained its protest even after the repeal of SI50 and replacement with SI 77highlighting commonly held fears that the government will not fulfil its commitments to address the adverse impacts of proposed developments on their collective wellbeing. Several high-ranking officials have made it clear that proposed developments will continue regardless. This obtaining reality brings to the fore the issue of fair and just expropriation. In particular the issue of compensation.

The adverse impacts of private sector led development on the rights, livelihoods, heritage and environmental conditions of host communities must be acknowledged and mechanisms put in place to safeguard the rights and interests of host communities. This must apply across the board including in logging; agriculture; fisheries; solar; mineral and gas extraction projects which rely on the extraction of resources from shared natural resources.

Several legal frameworks provide for the compensation of those affected and warrant legal approval for decisions to relocate communities. Internationally, the fortification of the rights to land compensation is evident from laws such as the Universal Declaration of Human Rights, 1948, (Article 17), and the African Charter on Human and People's Rights, (Article 21). In Zimbabwe, section 74 of the Constitution of Zimbabwe Amendment 20 Act 2013 protects individuals from arbitrary evictions and only allows evictions to be approved by the court after considering relevant circumstances. Compensation in respect of land rights denotes the sum payable to a dispossessed owner (claimant) for the compulsorily acquired land, to place the claimant in the same position that he or she was immediately before his or her right in land is taken[1]. From this angle, the decision by the government to relocate the Chilonga community must be accompanied by a funding mechanism to provide safety nets for affected communities. It is incumbent upon the government to guarantee for alternative habitable land, erecting key infrastructure like water and sanitation, schools, and hospitals, to mitigate the negative social and economic effects to the community.

A cursory view of the previous relocation projects by the government mirrors procedural deficits in terms of law and the respect for access to alternative social and economic amenities by the affected communities. The relocation of over 900 families from the Marange diamond mining project has been a cause for concern as some families are still yet to receive adequate compensation from the relocation process years after the relocation process (Chengerai 2019, Makore 2016; Mufute 2020). Another example is the Chisumbanje case where villagers were relocated against their will and lost their livelihood which threw them in abject poverty after the project failed to provide adequate employment opportunities for the community (Mambondiyani 2016; Bwanya 2021). Previous relocations by the government failed to protect the social and economic rights of affected communities.

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[1] Mubecua, M.A. and Nojiyeza, S. 2019. Land Expropriation without compensation: challenges of black South African women in land ownership. *Journal of Gender, Information and Development in Africa*, 8(3), 7-19.