ZIMCODD

ZIMBABWE COALITION ON DEBT AND DEVELOPMENT

WEEKLY ECONOMIC REVIEW AND UPDATE

31 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 (16.03.2021)	Week (23.03.2021)
ZWL83.9830 per USD1	ZWL84.1197 per USD1

Total Consumption Poverty Line

Feb 2021	Mar 2021
ZWL5 187.00	ZWL5 312.00

Inflation Rate

Feb 2021	Mar 2021
321.59%	240.55%

Month-on-month inflation

Feb 2021	Mar 2021
3.45	2.26

Covid-19 Cases

Week (21.03.2021)	Week (29.03.2021)
Positive cases 36 665	**Positive cases** 36 839
Recovered 34 269	**Recovered** 34 617
Deaths 1 512	**Deaths** 1 520

PCR Tests: 1467

COVID -19 Vaccinations

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

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Notable Issues This Week

COVID 19 RESOURCE TRACKING

The uptake of the COVID-19 vaccines remains significantly low. As at 29 March 2021, a total of 69 751 people had been vaccinated in spite of the receipt of the 400 000 SINOPHARM vaccine doses and 200 000 SINOVAC vaccine doses. This constitutes 0,46% of the population who have been vaccinated thus far. At this slow-paced rate Zimbabwe will take approximately 17 years to vaccinate 60% of the population and reach herd immunity. The low uptake of vaccines is attributed to the deplorable public health system; lack of access to information resulting in skepticism and resistance; 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.

CALL TO REFORM PUBLIC LOAN GUARANTEES

Stronger Parliamentary oversight on private loan guarantees is vital to safeguard the public interest. Whereas the whipping process political parties might explain the muzzling of MPs to speak against own party Executive's borrowing decisions, the lack of transparency on government loan guarantees and quasi-financing activities by the RBZ ultimately undermines the constitutional safeguards outlined in section 300 whilst worsening the nation's debt burden. as most government guaranteed loans are siphoned to the government through the Debt Assumption Act.[1]

The Public Debt Management Regulations (PDMR) of 2019 guiding the loan guaranteeing processes requires further democratisation. In particular the Regulations must impose checks and balances to democratise the power vested in the Minister thus reducing the risks associated with unilateral and executive decisions. The existing general principles for guarantees and on-lending as defined in the 2019 PDMRs, is it invests too much authority in the office of the Minister to facilitate the approval of loan guarantees. It only requires: '*the public entity for whose benefit such guarantee or on-lending is given, to demonstrate to the satisfaction of the* ***Minister*** *that the project is viable and it has provided proof of* ***other resources to cover the loan in the event of default.***

PUBLIC FINANCE AMENDMENT BILL OF 2021

There is no doubt, the move to align the PFMA with the constitution serves a cardinal role in ensuring that the public is not short-changed of their hard-earned tax money from being misused and abused.

[1] The structuring of Acts that address the issues around public debt management seem to dovetail in a way that move ill-gotten debt to the central government for final servicing by tax payers.

The declining corporate governance landscape coupled with endemic corruption should come to an end given that the legal frameworks are aligned and synchronised with each other to effectively ensure efficiency, effectiveness, economy, and transparency in the use of public monies. Public resources ideally should benefit the public by driving national development rather than be used in a way that does not benefit the best interests of the country.

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 utilisation of COVID-19 resources. The tracker is updated on a weekly basis to show pledges honoured, resources received and resources expended.

Overall

Total Pledges = US$767,475,257; **Honoured Pledges =** $563,228,071; **Amount Spent =** $304,881,082

For the week ending 25 March 2021:

Total Pledges= US$1, 000,000; **Honoured Pledges=** US$1, 000,000; **Amount Spent=** US$TBC

The president of Zimbabwe this past week launched the second phase of the COVID-19 national vaccination programme in Victoria Falls. The second phase is targeting school teachers, religious leaders, security forces, the elderly and people with chronic illnesses. Zimbabwe should be alive to the fact that COVID-19 vaccination is becoming the key to all social and economic activities worldwide. As such, ZIMCODD calls upon the government of Zimbabwe to prioritize a people vaccine that is equitably and effectively distributed to achieve the herd immunity. The following are the issues of concern:

- The uptake of the COVID-19 vaccines remains significantly low. As at 29 March 2021, a total of 69 751 people had been vaccinated in spite of the receipt of the 400 000 SINOPHARM vaccine doses and 200 000 SINOVAC vaccine doses. This constitutes 0,46% of the population who have been vaccinated thus far. At this slow-paced rate Zimbabwe will take approximately 17 years to vaccinate 60% of the population and reach herd immunity. The low uptake of vaccines is attributed to the deplorable public health system; lack of access to information resulting in skepticism and resistance; 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.
- While having the President publicly inoculated might inspire citizen confidence in the vaccine, an increase in human traffic results in a spike in infections. The million-dollar question for citizens is whether this was necessary given how financially hamstrung Zimbabwe currently is. Although the aim was to promote tourism, the general concern is that it would have been prudent to redirect the resources used for the launch to bolster the COVID-19 vaccination program which the country is grappling with.
- As the stages and phases of the vaccine rollout continue to unfold, the budgetary processes are still opaque as the Ministry of Finance has not reported on how much has been expended on the procurement of the vaccines and the rollout programme. While the budget from the roll out plan for the first phase amounted to US$ 1.3 million to cover logistical costs as reported by the media

it is worrying that citizens have not received any information on whether the budget met its intended goals.

Recommendations

- There is need for Zimbabwe to speed up its procurement of COVID-19 vaccines and increase its daily inoculation rate. Taking into consideration that Health Information Systems is one of the WHO building blocks for a strong health system, a broad-based public information programme is recommended to eliminate misinformation and disinformation around COVID-19 vaccines, speed up the rollout and to increase acceptance and uptake. The establishment of vaccination points and Information Centers on all primary healthcare settings is critical to kickstart a massive vaccine roll-out campaign.
- Resources mobilised for the COVID-19 response and in particular the COVID-19 vaccines moneys should be prudently expended to ensure all and sundry are vaccinated.
- There is need for the Ministry of Finance to ensure that it provides citizens with timely, credible and accessible information on COVID-19 resource expenditures. Such expenditure reports can be distributed via the Ministry's website for citizens to access them.
- All funds and resources secured for COVID-19 intervention must be accounted for and a clear distribution matrix is recommended to inculcate a spirit of transparency and accountability in the mobilization and utilization of COVID-19 resources. The Office of the Auditor General must release the COVID-19 funds audit report.

2. Disclosure of 1.5 billion Afrexim loan details justifies calls for reform to Public Loan Guarantees processes.

The Government through the RBZ guaranteed close to USD 1.4 billion loans accessed from Afrexim bank between January 2017 and December 2020. According to the Government Gazette, General Notice 168 of 2021, the details of the loans are as follows:

1. US$600 million in December 2017 for the purchase of strategic commodities,
2. US$600 million in May 2019 for the purchase of strategic commodities and currency stabilization,
3. US$300 million in Dec 2019 for strategic commodities.

Section 300 (3) of the Constitution of Zimbabwe enjoins the Government through the Minister of Finance to publish the terms of loan agreements or guarantees within sixty days after it has been concluded. However, Government has not been forthcoming in publishing terms nor in seeking Parliamentary oversight over private loan guarantees. In effect, Government is pushing for widely resisted constitutional amendments to relieve the Executive of obligations to be accountable to the Legislature regarding debts and deals with foreign actors.

The successful court challenge by sitting Harare North MP Hon Allan Markham and the Community Water Alliance forcing government to publish details of all loans and guarantees incurred by the Government from January 2017 to 1 December 2020 with Afreximbank and other International Financiers reflects this tension between citizens, the Executive and the Legislature over the management of public resources.

The period between January 2017 and December 2020 encompasses the first inauguration of President Mnangagwa in November 2017 and the first two years of the Second Republic. Throughout this period, the mortgaging of public wealth and national resources without disclosure of the terms of the deals has continued unencumbered by legal and constitutional constraints. This has exposed the nation to the risks of corruption involving millions of dollars in public resources

Afreximbank is a Pan-African multi-lateral trade finance institution, created in 1993 under the auspices of the Africa Development Bank. In a context in which Zimbabwe is cut off from international capital markets and blocked from accessing credit lines from most multi-lateral lenders including the World Bank and IMF due to unpaid arrears, Zimbabwe has had to rely on domestic borrowing and alternative credit markets. At present Zimbabwe has estimated arrears of US5 billion to bilateral lenders; US$1.1 Billion with the World Bank and US$600 million with African Development Bank. As result, Zimbabwe has come to depend on Afreximbank to secure easier credit lines. In 2020, Afreximbank extended a US$250 million credit facility which was used for fuel imports (US$150 million) and other essential goods imports. Zimbabwe will most likely remain reliant on credit facilities such as the Afreximbank given the remote prospects of reinclusion of Zimbabwe into international capital markets, IMF, World Bank or other mainstream credit lines.

The undisclosed nature of the strategic commodities, gives rise to speculation. However, it is most likely that the resources were utilised to subsidise the country's huge import bill particularly for fuel and grain in a country struggling to revitalise its own productive base. Other commentators consider the strategic commodities to include defence and security expenditure whose procurement processes bear significant risk of corruption and opacity. The Government Defence Anti-Corruption Index (GI) an objective assessment of the existence, effectiveness, and enforcement of institutional and informal controls to manage the risk of corruption in defence and security institutions rates the Corruption Risk in Zimbabwe's defence and security spending as 'very critical'.

Stronger Parliamentary oversight on private loan guarantees is vital to safeguard the public interest. Whereas the whipping process political parties might explain the muzzling of MPs to speak against own party Executive's borrowing decisions, the lack of transparency on government loan guarantees and quasi-financing activities by the RBZ ultimately undermines the constitutional safeguards outlined in section 300 whilst worsening the nation's debt burden. as most government guaranteed loans are siphoned to the government through the Debt Assumption Act.[2]

The Public Debt Management Regulations (PDMR) of 2019 guiding the loan guaranteeing processes requires further democratisation. In particular the Regulations must impose checks and balances to democratise the power vested in the Minister thus reducing the risks associated with unilateral and executive decisions. The existing general principles for guarantees and on-lending as defined in the 2019 PDMRs, is it invests too much authority in the office of the Minister to facilitate the approval of loan guarantees. It only requires: '*the public entity for whose benefit such guarantee or on-lending is given, to demonstrate to the satisfaction of the* ***Minister*** *that the project is viable and it has provided proof of* ***other resources to cover the loan in the event of default.***

These provisions are flawed as they give unilateral powers to the Minister of Finance to decide on the astuteness of a guarantee application. Preferably, the External and Domestic Debt Committee (EDDC) could be roped in to ratify loan guarantee applications. Also, the provision that public entities provide proof of *other resources to cover the loan in the event of default* seem to be waived by the Minister as most

[2] The structuring of Acts that address the issues around public debt management seem to dovetail in a way that move ill-gotten debt to the central government for final servicing by tax payers.

debts contracted by the public entities are never serviced partially.[3] The engagement of the EDDC in making these decisions will help to sanitize the decision-making process and eliminate political manipulation and unilateralism.

A more assertive EDDC is required to fulfil the provision in the PDMR to:

> … *recommend limits on guarantees (including portfolio limits, sector limits, entity specific limits based on risk assessment) to the **Minister**.*

As per the PDMR of 2019, once the limits are okayed by the Minister of Finance, the parliament ratifies the decision. However, this legal provision has been avoided in the process of granting loan guarantees. The PDMR is silent on the repercussions to the Minister of Finance if he grants a loan guarantee without the approval of the Parliament as has been the case. The Act must therefore be amended to explicitly define the legal course of action to be taken in situations where the Executive bypasses the legislature to facilitate loan guarantees. Restoring Parliament's role is central to the democratisation of the public debt management process in Zimbabwe. Parliament and not the sitting Minister must be given the mandate to make final debt guaranteeing decision. Strengthening constitutional and legal instruments that define the loan guaranteeing process, particularly the reporting requirements outlined in Section 300 of the Constitution.

3. Align the Public Finance Management Bill to the Constitution

The Public Finance Management Act Chapter (22:19)[4] is central in the management of public resources in Zimbabwe. The Act comprises a set of rules and parameters informing the management of public finances. As such, there is a need to ensure that the Act is in sync with the supreme law of the land (Constitution) so that there is consistency, coherence, and certainty in the laws governing public finance governance in the country. Robust public resource management forms the bedrock for economic development and the basis for poverty eradication.

The PFMA must be reformed to allow the Parliament to have expenditure oversight over Provincial and Metropolitan councils. Section 298(1) (b) (ii) [5]of the Constitution of Zimbabwe Amendment 20 Act 2013 calls for the need to have equitable distribution of national resources between the central government, provincial, and the local tiers of government. The National Development Strategy 2021-2025 hinges on the devolution of decision and fiscal powers from the central government to the local authorities as provided by section 264 of the constitution. This will give Provincial and Metropolitan Councils charge over the management of public finances to facilitate local economic development in their areas. However, the PFMA currently does not include the Provincial and Metropolitan Councils. The scope of application of the Act limits the power of the Parliament to exercise oversight of resources in the Provincial and Metropolitan council area.

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[3] If that provision was observed, the government was not supposed to adopt full loans/debts from state entities as in the case of the US$1.4 billion RBZ loan.

[4] Government of Zimbabwe. Public Finance Management Act Chapter (22:19)

[5] Government of Zimbabwe. Public Finance Management Act Chapter (22:19)

The PFMA by not providing the need for parliamentary oversight to the provincial and metropolitan councils becomes inconsistent with section 299 of the Constitution which gives Parliament oversight over government agencies, provincial and metropolitan councils. The envisaged amendments will therefore ensure that Parliament has power and control to scrutinise how Provincial and Metropolitan Councils will be using their resources to ensure propriety in resource use. Since the adoption of the Constitution in 2013, there was no alignment of the PFMA and the constitution and this created gaps and inconsistencies in the management of public funds. To that extent, limiting the parliament's role in ensuring that there is accountability and transparency in the handling of public resources to pave way for development in the country.

The alignment also seeks to ensure that the President has the power to authorise expenditures during the dissolution of Parliament. Section 306 (2)[6] provides that when an appropriation of the financial year has not come into operation, an Act of Parliasmart borrowing on low cost loans remains key and borrowing should be used to strengthen productive and export capacityment can allow the president to issue withdrawal of the money from the consolidated revenue fund to ensure that the government meets its expenditure targets for the first four months of the financial year and the Act should not allow the withdrawal of money more than one third of the amount of expenditures in the previous year. Though section 26 of the PFMA has a similar provision on the need for the president to authorise appropriation before the appropriations Act, the PFMA is inconsistent with the Constitution in terms of the time period under which the appropriations can be allowed. As such, section 26 of the PFMA requires an amendment to ensure that there is transparency in the handling of scarce public resources in the country. This also comes in the context in which the country is battling with the Covid-19 pandemic hence resources must be honestly and prudently managed transparently to avoid any pilferage of resources.

The alignment also seeks to ensure that the accounting practices in ministries, government departments, and local authorities are consistent with generally accepted accounting standards[7]. Section 298(1) (e) of the Constitution of Zimbabwe Amendment 20 Act 2013 provides that fiscal management in the country must be responsible and clear[8]. The PFMA does not however provide a comprehensive framework on the preparation as well as reporting of the financial statements as noted with part IV of the Act which does not provide a clear reporting framework. Section 38 of the PFMA indicates that publication of the financial information is to be done in the Government Gazette which is inconsistent with section 62 of the Constitution on the need to ensure access to information and requires the use of other platforms like electronic media in the publication of financial information. The implication for this lacuna would result in limited transparency and accountability in the management of public resources. Effective financial management through preparation and reporting of financial statements as with the international best practices will save the country from unbridled corruption that is now the modus operandi in the handling of public resources. Further, the development aspirations of the country of becoming an upper middle-

[6] Government of Zimbabwe. Constitution of Zimbabwe Amendment 20 Act 2013

[7] Mudzviti, K. 2021. Gvt nods the Public Finance Management Amendment Bill. Business Mail. Online at: https://businessmail.co.zw/business/gvt-nods-the-public-finance-management-amendment-bill/

[8] Government of Zimbabwe. Constitution of Zimbabwe Amendment 20 Act 2013

income economy by 2030 also rest upon prudent financial management and reporting to ensure that every dollar is accounted for. The alignment therefore would match section 298 of the constitution in the management of public resources.

There is no doubt, the move to align the PFMA with the constitution serves a cardinal role in ensuring that the public finances are not misused and abused. The declining corporate governance landscape coupled with endemic corruption should come to an end given that the legal frameworks are aligned and synchronised with each other to effectively ensure efficiency, effectiveness, economy, and transparency in the use of public monies. Public resources ideally should benefit the public by driving national development rather than be used in a way that does not benefit the best interests of the country.

4. Disproportionate impact of 800% Mining fees hike must be reconsidered

The Government through the Ministry of Mines and Minerals Development hiked mining fees by more than 800%. Small-scale and Artisanal Miners will be adversely impacted by the hike in fees in a context with limited social security and social protection mechanisms. Zimbabwe roughly has about 30 000 registered small-scale miners and about 1 500 000 illegal miners. These Miners are disproportionately impacted by the hike in fees. Higher fees will likely push many Small-Scale Artisanal Miners further away from formal registration and transitions from informality to formality – this will further inflame already troublesome corruption and illicit smuggling of minerals. Miners' welfare particularly safety and secure working conditions will also be undermined as Mine owners will opt to spend less on improving conditions of work. Delays in the issuances of the mining certificates reflect the need to further devolve the Ministry of Mines' operations to protect host communities' rights and ensure earlier resolution of mining conflicts linked to land and property rights disputes. Increase in mining fees must be matched with equally radical improvements of conditions for Artisanal and Small-scale Miners.