

ZIMCODD

ZIMBABWE COALITION ON DEBT AND DEVELOPMENT

WEEKLY REVIEW

09 JUNE 2021

ABOUT ZIMCODD:

The Zimbabwe Coalition on Debt and Development (ZIMCODD) is a socio – economic justice coalition established in February 2000 to facilitate citizens` involvement in making pro–people public policy. ZIMCODD views indebtedness, the unfair global trade regime and lack of democratic people–centred economic governance as root causes of the socio – economic crises in Zimbabwe and the world at large.

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

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Weekly Dashboard

Forex Auction Weighted Rate

Week (01.06.2021)	Week (08.06.2021)
ZWL84.7653 per USD1	ZWL85.0724 per USD1

Month-on-Month Inflation

April 1.58	May 2.54
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Consumer Price Index

April 2,803.57	May 2,874.85
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Food Poverty line For 1 Person

April \$4,099.95	May \$ 4,139.10
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Covid-19 Cases

Week (05.06.2021)	Week (08.06.2021)
Positive cases 39 189	Positive cases 39 321
Recovered 36 728	Recovered 36 756
Deaths 1 606	Deaths 1 617

COVID -19 Vaccinations

First & Second Vaccination
08/06/2021
1,078,809

National Recovery Rate 93%

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I. COVID-19 Resource Tracker Issue NO.59

Overview

The COVID-19 Resource tracker is a ZIMCODD initiative to keep track of all resources pledged, received and expended 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 for the allocation and utilisation of COVID-19 resources. The tracker is updated on a weekly basis.

Overall

Total Pledges = US\$842,221,689; Honoured Pledges = \$635,724,503; Amount Spent = \$519,555,028

For the week ending 3 June 2021:

Total Pledges = US\$-; Honoured Pledges =US\$250,000; Amount Spent = US\$250,000

For more information on the COVID-19 resource trucker visit www.zimcodd.org/covid-resource-tracker/

2. The Ecological Politics and Corruption Surrounding the Foreign Exchange Auction System

On the 3rd of June 2021, the Reserve Bank of Zimbabwe (RBZ) released a press statement on the Foreign Exchange Allotments under the Foreign Exchange Auction System and Foreign Exchange Payments for the period June 2020 to 31 May 2021. The press statement was in line with the RBZ's commitment to constantly keep the citizens informed of the developments in the foreign exchange market. The statement had a list of:

- 1423 beneficiaries of US\$1 235 002 234 allotted under the Main Foreign Exchange Auction;
- 2027 beneficiaries of US\$102 975 034 allotted under the SMEs Foreign Exchange Auction;
- a schedule showing the total foreign exchange payments amounting to US\$5 469 050 131 by source, i.e. from foreign currency accounts (US\$3 747 693 742), interbank market (US\$383 379 121) and the Foreign Exchange Auction System (US\$1 337 977 269).

The publication of the beneficiaries of the Foreign Exchange Auction System (FEAS) was a noble and positive stride towards transparency and accountability. However, the list exposed scintillating revelations of the ecological politics and corruption surrounding the FEAS. This is because on number 992 of the main

list was the Democratic Republic of Congo Ambassador to Zimbabwe Mawampanga Mwana Nanga who has “no known business interest in Zimbabwe¹” yet he managed to access US\$120,605 which is 0.01% of the US\$ 1.2 billion. This is despite the fact that local authorities which have a greater responsibility to deliver robust public service delivery where given less than that of the Ambassador. Local authorities such as City of Gweru and City of Masvingo were given US\$120,000 and US\$76,672 respectively.

The scale and magnitude of politics and corruption in the administration of the FEAS is further exposed by the fact that, Murowa Diamond a mining company with the potential to generate employment and feed into the national GDP was allocated US\$100,000 only yet it has known operations. In a move that shows government’s attitude towards youth empowerment, ZIMSEC which is the nerve-center of the Zimbabwean educational system was allocated US\$81,279. This brings to dispute government’s commitment to rejuvenate human development as stipulated in the National Development Strategy I (NDSI).

Government’s failure to uphold its fiduciary role was further exposed by the fact that, currently the country is experiencing electricity shortages with load shedding becoming the order of the day yet Hwange Colliery was only allocated US\$80, 400. This shows government’s disregard of crucial service delivery as majority of public officials are not affected by the load shedding which is mainly associated with high density and part of medium density suburbs. It is against this backdrop that, the degree and magnitude of economies of affection in the FEAS shows that government officials are only after self-enrichment thereby entrenching social and economic injustices.

Currently, the City of Gweru and Masvingo which are on the beneficiary list are encountering difficulties to provide constant and reliable service delivery which includes water, refuse collection and renovations of road. The US\$120, 605 allocated to the Ambassador would have improved the quality of service delivery. In the same vein it is a public secret that Bulawayo City has only “10 refuse collection vehicles when it requires 26”² for its refuse collection to operate at optimum efficiency. A needs assessment of public service delivery across the country would have been better before allocating US\$120, 605 to the Ambassador.

Therefore, ZIMCODD calls on the RBZ to provide more information on the operations of the business owned by the Ambassador. The RBZ should bring to light granular details showing the nature of the business prior to the allocation of foreign currency from the FEAS and after. This will be used for public evaluation to determine whether it was worthy allocating the Ambassador such a huge amount at the expense of the local authorities and other viable organisations that are into public service delivery.

3. A surplus with no surplus

Is it a surplus or a misnomer? This is the question which was left in the minds of citizens on the 3rd of June after the Minister of Finance and Economic Development Professor Ncube noted that the government has already attained a ZWL 9.8 billion surplus in 3 months³. In budgetary context, a surplus occurs when income earned exceeds expenses paid. A budget surplus can also occur within governments when there are leftover tax revenues after all government programs are fully financed⁴. The weekly review embraces the latter definition which notes that “...after all government programs are fully financed”. Prior to the COVID-19 pandemic the Zimbabwean economy was already in recession, recording a 6.0% contraction in 2019. This was exacerbated by the pandemic culminating into a 10% contraction in real GDP in 2020⁵.

¹ <https://www.africa-press.net/zimbabwe/all-news/drc-ambassador-listed-as-top-beneficiary-of-rbz-foreign-currency-auction>

² <https://bulawayo24.com/news/national/204745>

³ <https://www.newzimbabwe.com/mthuli-ncube-declares-9-8b-budget-surplus-in-3-months/>

⁴ www.investopedia.com/terms/ssurplus.asp

⁵ www.afdb.org/en/countries/southern-africa/zimbabwe/zimbabwe-economic-outlook

Since then the Zimbabwean economy can be argued to never recover from a recession which has become a global nightmare although positive strides in curbing inflation can be seen. This is because the pandemic is still sending negative shocks at the same time robust economic fundamentals are not yet in place as evidenced by investors and citizens lack of confidence.

Even so, what makes one wonder about the government's sincerity when it comes to its surpluses are these simple questions: is a surplus of importance under recession? Is a surplus worth mentioning when the government is failing to provide basic service delivery? Is it a surplus to the masses or the elite? What kind of surplus is only felt by the elites and not the masses? What surplus are we talking about when power outages are the order of the day? Education sector is affected by striking teachers? Clinics and hospitals do not have drugs, roads are in bad state after being declared a national disaster⁶, more people are falling into the poverty trap and those in need of social safety nets are bulging? It is such noble questions that establishes the basis for interrogating the ZWL 9.8 billion surplus. If one is to use the current ruling exchange rate which is at US\$ 1= ZWL 84.7653 the surplus is US\$ 115,613,346.

The surplus is announced at a time when the police are failing to provide security to the citizens due to dilapidating resources coupled with an increase in armed robbery cases. The city of Bulawayo only has 6 vehicles for a population of approximately 650 000⁷. The police service is not the only one in dire need as the entire emergency system is ill-capacitated. Zimbabwe only has 134 functioning ambulances⁸ for 15, 062,998 population as of 6 June 2021⁹. This means that each ambulance will need to serve approximately 112,411 people making it difficult for Zimbabweans to access emergency health care on time. It would have been better that the much celebrated surplus be used to strengthen emergency services and other public services, for example it can be added to the ZWL 590 million¹⁰ that has been set aside for the purchase of 100 ambulances.

Zimbabwe has approximately 1, 634 primary health facilities¹¹ which serves as the first line of emergency management in the rural areas. However, studies carried out in ZAKA by ZIMCODD Social and Economic Justice Ambassadors (SEJAs) shows that primary health care facilities are failing to provide basic medication. All matters are being referred to Ndanga General Hospital which is about 35 kilometers away from Zaka making it almost impossible for the poor rural masses to access basic health care. It is under the cognizant of the reality of the plight being experienced by the vulnerable and marginalised rural community that ZIMCODD questions if government's priority is accumulating surpluses at the expense of human life? It is also critical to note that the social protection system is wanting as the CASH transfer introduced by the government has not been matched to the food poverty line for one person which is now at ZWL 4,139.10.

To this end, ZIMCODD calls on the government to reconsider its priorities when it comes to social spending and accumulating surpluses. This is because a surplus is of no importance in a recession and when people are in abject poverty although in economics, a surplus can be attained in a recession but what government must prioritize is to move out of the recession. Majority of rural communities in Zimbabwe relies on food aid from international organisations like World Food Program and USAID yet the government celebrates a surplus which is not being felt by the ordinary citizens. Therefore, a re-

⁶ Statutory Instrument 47 of 2021 Civil Protection (Declaration of State of Disaster: Rural and Urban Areas of Zimbabwe) (Road Infrastructure Network) Notice, 2021

⁷ www.zimlive.com/202106/01/bulawayo-has-six-police-vehicles-for-650k-population-top-cop-reveals/

⁸ www.sundaymail.co.zw/govt-buys-100-ambulances

⁹ www.wolrdometers.info/wolrd-population/Zimbabwe-population/

¹⁰ www.sundaymail.co.zw/govt-buys-100-ambulances

¹¹ Zimbabwe Service Availability and Readiness Assessment Report (ZSARA) 2015).

orientation of the treasuries intention and listening to peoples economic aspirations during the Budget Strategy formulation is critical in coming up with a pro-people National budget that is organic in nature.

4. Weekly Advocacy Message

In recent years tax and fiscal policies have come to be more widely understood as critical development issues and important instruments for promoting social justice. ZIMCODD has increasingly sought to engage government on issues of tax and fiscal justice, and ZIMCODD has played an important role in promoting policies that are informed by, and better respond to contextual challenges to sustainable and equitable development. In the context of the ongoing public hearings into the Public Finance Management Amendment Bill, this week's advocacy message focuses on the important role taxation plays in facilitating transformational socio-economic development. Against this backdrop, ZIMCODD reiterates the importance of taxation as a key component of public finance management and domestic resource mobilization.

An analysis of the Zimbabwean public finance management and tax system highlight some areas of common concern, including low tax effort (particularly in terms of taxing wealth), illicit financial flows, inappropriate tax incentives, and the prevalence of indirect taxation and other regressive tax policies. Based on this analysis, some possible reforms to tax policies that are supposed to be incorporated into the PFM Bill are suggested. These include that:

Tax and fiscal systems should support sustainable and equitable national development. They should be aligned to national development plans (e.g. the NDSI) and industrial policies and ensure the efficient use of resources, including, for example, by responding to the different needs of men and women, financing public investments that bring sustainable economic benefits, and supporting for social protection and public services that meet the needs for people living in poverty.

Tax policies should be effective and fair. The burden of taxation should be distributed equitably and proportional to ability to pay. Tax collection should be efficient to maximise the available resources for sustainable development. Fairness should be strengthened by improving differentiation in tax rates, and redesigning tax incentives (for example, to support productive economic activity and small enterprises) and ensuring 'direct' taxes on goods and services distinguish between luxury and essential goods.

Tax systems should be transparent and accountable. Government should respond to the needs of citizens, implement policies that are coherent with sustainable development, combat corruption and tax dodging, and put in place mechanisms to expand community and civil society participation in tax and budget processes at all levels.

5. Public Finance Management Bill Consultations- Why citizens should participate?

This week the Parliamentary Portfolio Committee on Budget and Finance is facilitating public consultations around the country to solicit citizens' views on the Public Finance Management Bill of 2021. The Bill seeks to align the Public Finance Management Act to the Constitution of Zimbabwe, an endeavour meant to strengthen the management of public finances in Zimbabwe. Here are key reasons why citizens should participate in the consultations:

1. It is every Zimbabwean's citizen's right to participate in any developmental plan or programme of the country as stipulated in Section 13 of the Zimbabwean Constitution. The section provides that the state and all institutions "...must involve the people in the formulation and implementation of development plans and programmes that affect them. Public finance

management matters lay the foundation upon which sustainable national development is anchored. Citizens should therefore exercise their constitutional right and ensure that they participate in the Public Finance Management Bill Consultations and make their voices and aspirations heard in as far as public finance management in Zimbabwe is concerned.

2. Public finance management issues affect citizens in various ways for instance through taxation and the provision of public services like water, healthcare, shelter, education and infrastructure. By virtue of paying taxes, citizens contribute to government revenue with the state and other public office bearers being custodians of the “public purse.” In turn, citizens expect the state to provide them with public services mentioned earlier for the enhancement of their lives. It is therefore imperative for citizens to share their views on how they want public funds to be managed and the Public Finance Management Bill consultations provides such an opportunity. The new Public Finance Management Act (PFM Act) will make provisions on how public finances should be managed and measures to be taken in case of any malpractice.
3. The manner in which public finances are managed determine the quality and quantity of public services that can be delivered. Poor public service delivery for instance, crumbling public healthcare, deteriorating public education system, erratic water supplies and poor infrastructure points to the mismanagement of public funds in the country. This largely owes to the gaps inherent in the current Public Finance Management Act which is silent on other principles of public finance management enshrined on Section 298 of the Constitution. A case in point being that the PFM Act is silent on transparency, accountability and equity. The Bill seeks to address some of these gaps. Citizens should therefore make clarion calls to strengthen the new Public Finance Management Act. This will go a long way in ensuring efficient and effective public service delivery and the ultimate protection and promotion of citizens’ fundamental rights for instance the right to water.