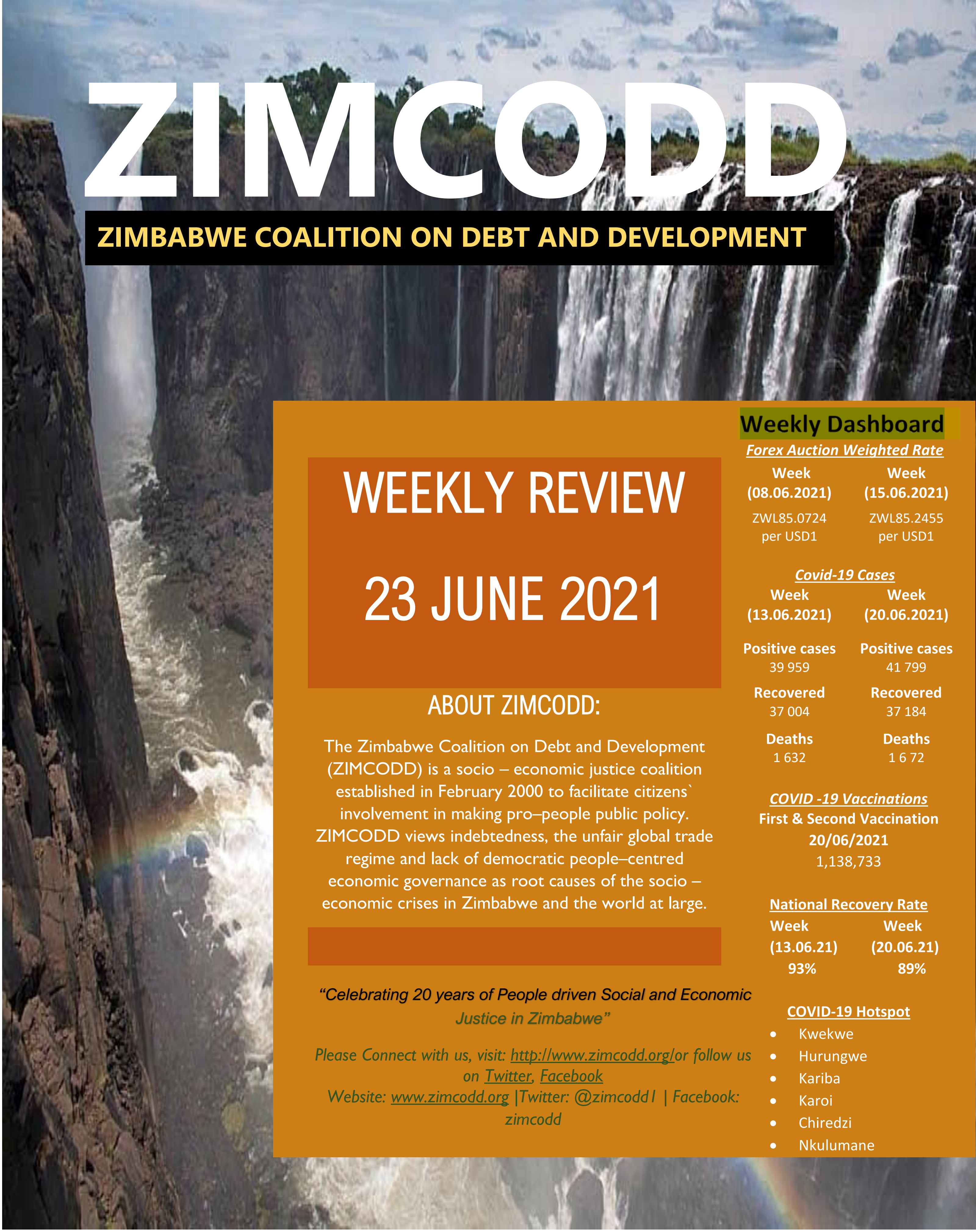

ZIMCODD

ZIMBABWE COALITION ON DEBT AND DEVELOPMENT

WEEKLY REVIEW

23 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 (08.06.2021)	Week (15.06.2021)
ZWL85.0724 per USD1	ZWL85.2455 per USD1

Covid-19 Cases

Week (13.06.2021)	Week (20.06.2021)
Positive cases 39 959	**Positive cases** 41 799
Recovered 37 004	**Recovered** 37 184
Deaths 1 632	**Deaths** 1 6 72

COVID -19 Vaccinations

First & Second Vaccination
20/06/2021
1,138,733

National Recovery Rate

Week (13.06.21)	Week (20.06.21)
93%	**89%**

COVID-19 Hotspot

- Kwekwe
- Hurungwe
- Kariba
- Karoi
- Chiredzi
- Nkulumane

Contents

1. COVID-19 RESOURCE TRACKER ISSUE NO.61 1
2. 2019 OFFICE OF THE AUDITOR-GENERAL REPORT, ANOTHER CORRUPTION BOMBSHELL 1
3. DEBT WATCH 2
4. THE IMPACT OF COVID-19 PANDEMIC ON EDUCATION 3
5. YOUTH ASPIRATIONS: REFLECTIONS FROM THE ZIMCODD DAY OF THE AFRICAN CHILD REGIONAL YOUTH DEBATE: THE CASE FOR A REGIONAL WEALTH TAX. 4
6. AN URGENT CALL FOR GOVERNMENT INTERVENTION ON THE PLIGHT OF CHIREDZI FARMERS 5

1. COVID-19 Resource Tracker Issue No.61

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.

Overall

Total Pledges = US$849,445,684; Honoured Pledges = $635,724,503; Amount Spent = $519,555,028

For the week ending 15 June 2021:
Total Pledges = US$250,000-; Honoured Pledges =; Amount Spent =;

For more information on the COVID-19 Resource Tracker visit:

www.zimcodd.org/sdm_downloads/tracker-issue-61/

2. 2019 Office of the Auditor-General Report, another Corruption Bombshell

The 2019 Auditor-General report exposed scintillating revelations of corruption. The scale and magnitude of corruption in the corridors of government departments is not only astonishing but a disregard of the concept of social contract and the fiduciary duties of the state. The modern government (developed or developing) is premised on the social contract between citizens and the state in which rights and duties are agreed to by all to further the common interest. Thus, citizens offer their support to a government through taxes and efforts to a country's good; in return, governments attain legitimacy by protecting the people's rights and through public policies that promote transparency and accountability of all resources.

Therefore, the state has a fiduciary duty to carry. Fiduciary duty refers to a commitment to act in the best interest of the citizens. Thus, the state must be loyal to its citizens in respect to public resource management because it derives its authority from the citizens through social contract. This makes the citizens the major shareholders and government employees of the people. Although the Auditor-General report had many scandals, this weekly review is going to zero in on the Zimbabwe Consolidated Diamond Company (ZCDC) which failed to account for 352 583.11 carats of diamonds worth about US$146.3

million which disappeared under its care as well as for the use of money exceeding US$400 million[1]. This is because majority of the scandals are clearly presented in the weekend reader which can be found on ZIMCODD website by clicking this link www.zimcodd.org/sdm_downloads/special-edition-on-the-auditor-generals-report/.

The Auditor-General, Mildred Chiri in her 2019 report on state enterprises noted that due to excessive anomalies and maladministration she doubted ZCDC`s organisational capacity to continue operating due to unaccounted losses. The Auditor-General noted that:

> *"There was no evidence of a documented formal process of reconciling physical stock counted to theoretical stock. For instance, the following anomalies were noted in respect of diamond stocks which then necessitated post year-end adjustments to the financial statements which had been presented for audit,*[2]"

297 660.41 carats of diamond which was under the care of Minerals Marketing Corporation of Zimbabwe in 2019 was not counted during the stock count. This is because the diamonds had been reserved for a customer who then did not collect. Therefore, at year-end during stock count the diamonds were not included in closing inventories. In 2018 again 41 699.85 carats of diamonds were excluded out of stock count assuming that they have already been sold. This was aggravated by the 13 222.85 carats which were mistakenly excluded from the final stock sheet.

The maladministration at the ZCDC was further brought to light in April 2020 after it was discovered that a local sale of diamond was done in September 2019 but the customer did not collect or pay for his diamonds eight months after the sale. This was in direct violation of tender and procurement rules which obligates the customer to pay for their diamonds within three days of winning the bid.

The Auditor-General further reported on weak internal control mechanisms when she noted that she failed to find a practical value recovery strategy of more than US$ 300 million that ZCDC is owed by related parties. This is because some of the companies that owed ZCDC had already closed. ZCDC also paid board allowances and fees which were way above the stipulated amount.

All these anomalies bring reminiscence of the days of the missing US$ 15 billion. It makes citizens skeptical about the government's genuineness in promoting prudent public resource management. The US$ 12 billion mining industry is also questionable as it is under threat from revenue leakages. Hypothetically, the unaccounted US$ 400 million would have played a significant role in mitigating the pandemic had it been channelled towards revamping hospitals and purchase of COVID-19 vaccines.

3. Debt watch

Legal and Institutional Frameworks Governing Public Debt

In Zimbabwe public debt is legislated by the Constitution of Zimbabwe Amendment (No.20) 2013, the Public Debt Management Act [Chapter 22:21], the Reserve Bank of Zimbabwe Act [Chapter 22:15], the RBZ (Debt Assumption) Act of 2015 and the Air Zimbabwe Debt Assumption Bill of 2021. The institutional arrangements for debt management includes but not limited to the Ministry of Finance and Economic Development, Parliament of Zimbabwe; the Debt Management Office, External and Domestic Debt Management Committee, the Reserve Bank of Zimbabwe, Zimbabwe Asset Management Company as well as the Office of the President and Cabinet.

[1] https://thenewshawks.com/state-diamond-company-fails-to-account-for-us400m/

[2] https://thenewshawks.com/state-diamond-company-fails-to-account-for-us400m/

Zimbabwe's Debt Stock

According to the 2021 budget statement, Zimbabwe's total public debt as at December 2020 was estimated to reach 78.7% of GDP. Zimbabwe's law on debt management prescribes that Public and Publicly Guaranteed Debt should not exceed 70% of the GDP. Domestic debt as of December 2020 was ZWL$16.7 billion plus Treasury Bills of ZWL$8.6 billion during the first quarter 2021 and ZWL$ 349 million which is part of the AirZim Debt Assumption making it ZWL$25.6 billion. The International Monetary Fund (IMF) Regional Economic Outlook for Sub Saharan Africa April 2021 indicate government debt to be 88.9% of GDP. External debt to the multilateral creditors, as at end of December 2020, amounted to US$2.68 billion, of which US$1.53 billion is owed to the World Bank Group, US$729 million to the African Development Bank, US$356 million to the European Investment Bank, and US$68 million to other multilateral creditors. On the other hand, bilateral external debt amounted to US$5.76 billion, with US$3.78 billion owed to the Paris Club creditors and US$1.67 billion to Non-Paris Club creditors. This is aggravated by AirZim Debt Assumption Bill of 2021 which saw the government taking responsibility of the US$30 million foreign owned debt.

To this end, Zimbabwe is in debt distress and this is a major national crisis. A country is said to be in distress when it is unable to fulfil its financial obligations. This is clearly illustrated by the accumulation of external debt arrears, which currently account for about 60% of the total public debt. Arrear payments have thus become major components of the public debt problem in Zimbabwe. This shows the increasing incapacity of the country to service the debt. It thus remains vital for citizens to be vigilant over how the government borrows, how it uses borrowed funds and also to know who is owed and the extent and terms of the debt.

4. The Impact of COVID-19 Pandemic on Education

During a post-cabinet media briefing, Information Minister Monica Mutsvangwa revealed that 23% of children in the country were out of school due to economic challenges. The research was conducted by the Zimbabwe Vulnerability Assessment Committee. The research revealed that financial constraints, age and adolescence pregnancy were some of the notable reasons why about 23% of the children were not in school. This is concerning as many children have received no education after schools closed across the country in March 2020.

The Constitution of Zimbabwe in section 75 provides for the right to education. It stipulates that "Every citizen and permanent resident of Zimbabwe has the right to a basic State-funded education…" Section 81(f) buttresses this right by providing that, "Every child, which is to say every boy and girl under the age of eighteen years has the right to education, healthcare services, nutrition and shelter." The right to education is a human right and indispensable for the exercise of other human rights. Quality education aims to ensure the development of a fully-rounded human being. It is one of the most powerful tools in lifting socially excluded children and adults out of poverty and into society. UNESCO data shows that if all adults completed secondary education, globally the number of poor people could be reduced by more than half.[3] Access to education narrows the gender gap for girls and women. For this human right to work there must be equality of opportunity, universal access and enforceable and monitored quality standards.[4]

Schools have since re-opened for physical learning; however, many children have received no instruction, feedback, or interaction with their teachers as many teachers have opted to continue with extra lessons outside of schools due to their meagre salaries. Many parents have been burdened by costs associated with trying to continue educating their children during school closures. With a looming 3rd wave and increased lockdown restrictions, it remains to be seen how government will respond to the needs of the

[3] "Say NO to Discrimination in Education" https://en.unesco.org/news/what-you-need-know-about-right-education (accessed 18 June 2021).

[4] "Say NO to Discrimination in Education" https://en.unesco.org/news/what-you-need-know-about-right-education (accessed 18 June 2021).

education sector as schools are set to re-open soon. Many children lack access to the internet, which is increasingly indispensable for education. Online lessons during the pandemic were vital in the continuation of education. Children living in rural areas are less likely to have resources to adapt and implement measures needed to continue education should schools be closed again, including access to the internet and flexibility to shift school calendars, which have been adjusted.

It must be noted that all the factors affecting children's education during the COVID-19 pandemic become magnified for children with disabilities. Widespread school closures run the risk of increasing child marriage and dropouts due to pregnancy. Government should protect its education budget and ensure public education systems are adequately resourced, both to ensure they can adequately respond to existing and emerging needs, and to resource their vision for inclusive education. It should ensure that all schools have access to water and sanitation, sufficient numbers of adequately trained teachers, and appropriate, accessible school infrastructure to prevent overcrowding.

5. Youth Aspirations: Reflections from the ZIMCODD Day of the African Child Regional Youth Debate: The Case for a Regional Wealth Tax.

On the 16th of June 2021 and as a way of commemorating the Day of the African Child ZIMCODD convened a regional youth debate tournament. The tournament sought to create a platform for regional youth to network, debate on different but pertinent regional social, economic and political issues. One of the major issues that came out of the tournament from the youth was that SADC countries should introduce wealth tax to address economic inequality and developmental deficits in the region that are affecting young people in particular and other citizens in general.

Wealth taxes can reduce inequality while raising revenue, but SADC countries have often struggled to design and administer viable and politically palatable wealth taxes. Tracking down assets, assigning a value for tax purposes, and attributing them to individual taxpayers entails substantial costs. Comprehensive wealth taxes can become riddled with costly special exemptions, meaning they end up raising remarkably little revenue. Wealth taxes are inherently progressive as wealth inequality is on average twice as large as income inequality. Ensuring that people pay tax on their wealth will therefore be a more progressive measure than increasing taxes on income. Any tax system that has weak or no wealth taxation is therefore likely to become much more progressive by introducing wealth taxes.

Introducing taxes on holding wealth can also stimulate economic activity and spur growth. If holding wealth is exempted from tax but earning an income is taxed, the wealthy have little incentive to use their capital productively. If land ownership is taxed, landowners are more likely to make use of the land or sell it to someone who will, potentially create employment and streams of tax revenue in the process. The same goes for cash and cash equivalents which can be invested and support jobs and income generating activities if the incentive to leave the capital unused is removed. This will in turn generate a wider tax base and increased tax revenues. Encouraging wealth to be used productively through tax policy can therefore have progressive impacts.

South Africa is struggling to introduce an effective tax on holding wealth. The country currently has a transfer duty, estate duty and donations tax which are all taxes on transferring wealth. The South African Revenue Service (SARS) has concluded that a tax on holding wealth is not feasible now, but has proposed that all personal income taxpayers above the filing threshold be required to submit a statement of all assets and liabilities from 2020. This would help track wealth and inform future policy on a potential tax on holding wealth. Other SADC countries can therefore emulate and improve the South African policy.

There are many different forms of taxing the holding of wealth in European countries, and some of these models may be interesting for developing countries in the SADC region. For example, in the Netherlands, there is a flat tax of 1.2% on the total value of savings and investments above €21,139.20 Investments of up to €56,420 in pre-approved 'green' investments are exempted. Until 2017, France had a 'Solidarity Tax' on wealth. It was a progressive tax starting at 0.5% of held wealth above an €800.000 threshold. There were various thresholds and rates above that, with 1.5% being the top rate for wealth above €10 million. It was estimated that in 2007 the tax generated €4.42 billion, or 1.5% of total tax take in France. Both Spain and Switzerland have progressive wealth taxes that differ slightly among municipalities and regions, varying between 0.2% and 3.75% in Spain, and between 0.13% and 0.94% in Switzerland.

However, taxing the rich can be very difficult. Research in Uganda in 2013/14 found that only 35% of the top 60 lawyers in the country paid any personal income tax in 2013-14; only 5% of company directors did so; and only one of 71 high-level government officials, who owned considerable assets, had ever paid personal income tax. Tax authorities have limited capacity or influence on legislation, and the very rich often hide their assets in tax havens. Credible estimates suggest that at least 30% of African financial wealth is held offshore, with the corresponding figure for Latin America being 22%. While international tax information exchange systems have been gradually developing, their scope and functionality is still far from satisfactory and access for developing countries is often limited, making it difficult for the tax authorities of these countries to track and tax their citizens' assets abroad.

According to influential French economist Thomas Piketty, wealth taxes are underutilized. He argues that, in an economy where the rate of return on capital investment exceeds the rate of growth, inherited wealth will always grow faster than earned wealth, thus making increasing inequality inevitable unless there is bold action by governments. In practice, taxes on holding and transferring wealth tend to make up less than 1% of tax revenue in OECD countries, with taxes on income (such as personal and corporate income taxes) and consumption (such as VAT and excise taxes) making up the bulk.

Recommendations

SADC Governments should:

- Prepare for comprehensive wealth taxes with mandatory declarations of assets and liabilities, as in South Africa.
- Improve transparency of wealth by introducing robust automatic exchange of information systems with other tax authorities, through a reformed OECD Global Forum on Transparency & Exchange of Information for Tax Purposes or otherwise, as well as updated registers of beneficial ownership which are publicly available, free of charge, and verified.
- To reduce the risk of capital flight, consider a regional approach to wealth taxes, introducing standardized taxes on holding wealth at a continental or trade bloc level with a view to negotiating a global tax on held wealth in the long term.
- Establish a specific unit in the tax authority to deal with taxing the wealthy.
- In the absence of a comprehensive tax on holding wealth, countries should tax the holding, transfer and appreciation of wealth through different taxes (such as property, inheritance and capital gains taxes), to make them harder to avoid.
- Ensure whistleblowing protection for those who expose tax avoidance schemes by the ultra-wealthy.

6. An Urgent Call for Government Intervention on the plight of Chiredzi Farmers

It is now three years since Chiredzi farmers from Chizvirizvi under Chief Tshovani delivered their Sorghum and Maize to the GMB but they have not yet received payments. Attempts to follow-up have yielded no results[5]. The councillor for ward 22 which is under Chiredzi Rural District Council Wilfred Manyiyo reinforced the above assertion by noting that:

[5] https://thenewshawks.com/farmers-still-unpaid-for-2018-crop-deliveries/

> *"We have over 200 farmers who are yet to receive their payments from GMB. I visited the depot several times but they told me that they are looking for information regarding deliveries made at Chizvirizvi. People are being disadvantaged and it is my hope that the issue is addressed quickly,[6]"*

Aspect Mashingaidze ward 32 Councillor noted that, it is alleged that Chiredzi farmers are in this predicament because the depot lost information regarding Chizvirizvi collection. Thus, Chiredzi farmers have become victims of institutional mismanagement which is calibrated to entrench social and economic inequality. This is because even after GMB Nandi stated that they had lost information of the entire Chizvirizvi collection point, farmers went ahead to produce proforma receipts but to no avail. The depot manager of GMB Nandi Sharon Darikwa when interviewed by Newshawks attributed loss of information to the change of system by the GMB`s information technology department but did not go further in explaining how the 200 farmers can be helped to receive their payments[7].

In addition, this is not the first time GMB has failed to pay farmers, it seems like it's an inherent challenge that has affected farmers for years. In 2015 "The Zimbabwean" carried out a survey on GMB`s failure to pay farmers[8]. The findings of the survey brought to light the far-reaching implications of GMB`s failure to pay farmers as they were no longer able to pay for their children's school fees. Among those affected were farmers from Wedza and Tongogara. GMB`s failure to pay farmers affect their livelihoods and further impoverish them as some would have borrowed during planting season intending to pay back after selling their produce. The survey revealed that between 2012-2015 GMB owed farmers US$ 35 million[9]. This was despite the fact that GMB was selling the produces it received from farmers. Chilunjika and Mutizwa (2019) noted that parastatals had become havens of corruption and mismanagement[10]. An assertion which is water- tight if one is to consider the plight of Chiredzi farmers who have become victims of organisational mismanagement. E-governance is supposed to positively transform the lives of people not to be the fountain of their misery and unhappiness.

A survey conducted by ZIMCODD discovered that in 2018 GMB was paying ZWL 2400 per tonne. ZWL 2400 in 2018 would have been better in terms of market value than ZWL 2400 now. Thus, there is need for restitution not just paying farmers what the organisation owes them. The money should be re-evaluated and be given the current market of tonnage. To this end, ZIMCODD calls on the government to intervene on the issue concerning Chiredzi farmers. The Parliamentary Portfolio Committee on Agriculture should call in GMB management to explain why farmers should be victims of their system upgrade. Lastly, farmers must be empowered to sell grain to other merchants, for as long as those traders do not rip them off. GMB is in terminal decline.

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[6] https://thenewshawks.com/farmers-still-unpaid-for-2018-crop-deliveries/
[7] https://thenewshawks.com/farmers-still-unpaid-for-2018-crop-deliveries/
[8] https://www.thezimbabwean.co/2015/08/gmb-failure-to-pay-farmers-haunts-schools/
[9] https://www.thezimbabwean.co/2015/08/gmb-failure-to-pay-farmers-haunts-schools/
[10] Chilunjika, A. and Mutizwa, B. 2019. "Exploring factors militating against the performance of parastatals in Zimbabwe: the case of the national railways of Zimbabwe from 2008 to 2016". *Journal of Public Administration and Development Alternatives (JPADA)*, 4(2):41-60.