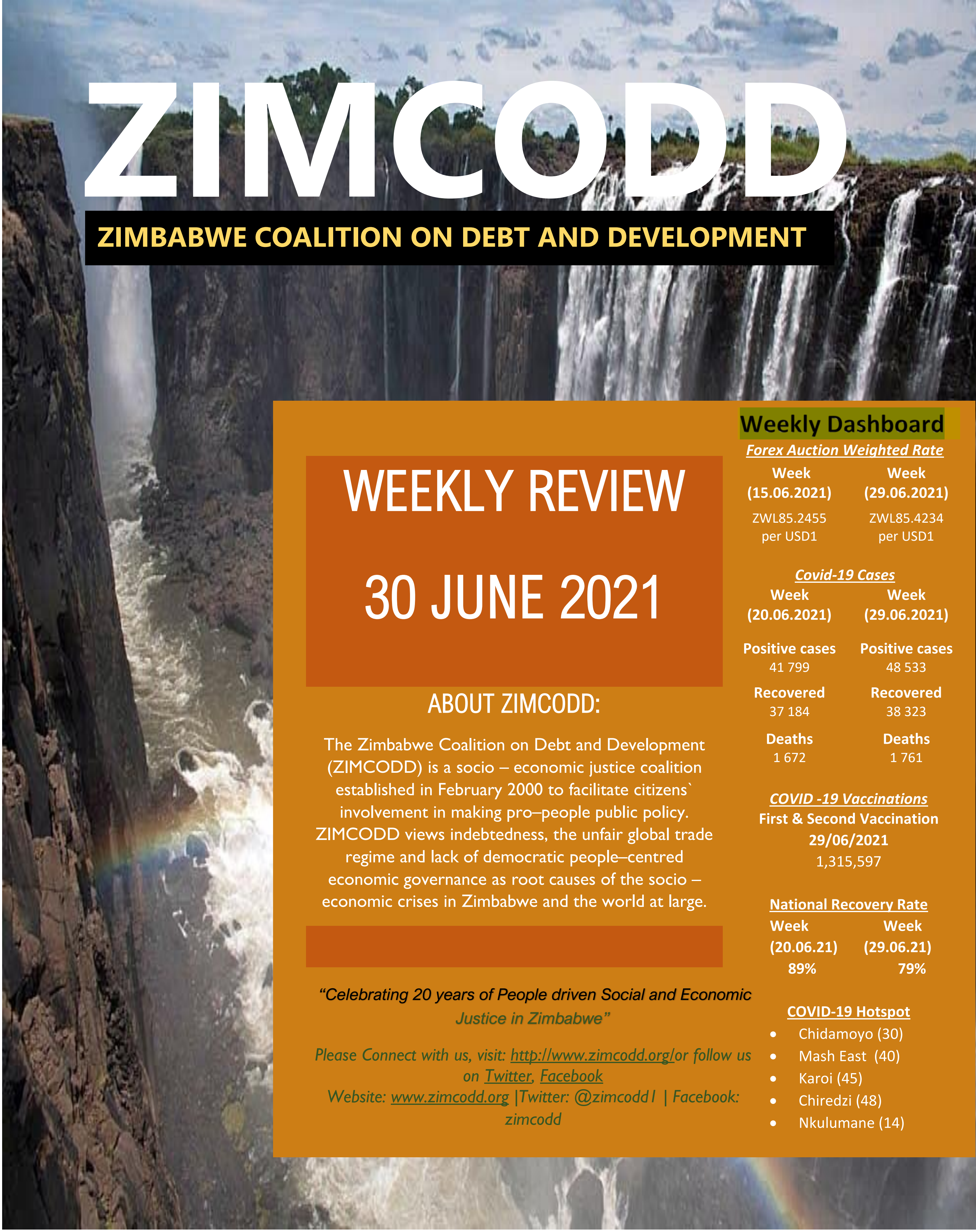

ZIMCODD

ZIMBABWE COALITION ON DEBT AND DEVELOPMENT

WEEKLY REVIEW

30 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"

Please Connect with us, visit: http://www.zimcodd.org/or follow us on Twitter, Facebook
Website: www.zimcodd.org |Twitter: @zimcodd1 | Facebook: zimcodd

Weekly Dashboard

Forex Auction Weighted Rate

Week (15.06.2021)	**Week (29.06.2021)**
ZWL85.2455 per USD1	ZWL85.4234 per USD1

Covid-19 Cases

Week (20.06.2021)	**Week (29.06.2021)**
Positive cases 41 799	**Positive cases** 48 533
Recovered 37 184	**Recovered** 38 323
Deaths 1 672	**Deaths** 1 761

COVID -19 Vaccinations

First & Second Vaccination
29/06/2021
1,315,597

National Recovery Rate

Week (20.06.21)	**Week (29.06.21)**
89%	**79%**

COVID-19 Hotspot

- Chidamoyo (30)
- Mash East (40)
- Karoi (45)
- Chiredzi (48)
- Nkulumane (14)

1. Contents

1. COVID-19 Resource Tracker Issue NO. 62

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 = $640,724,503; Amount Spent = $524,555,028

For the week ending 22 June 2021:
Total Pledges = US$849,455,684-; Honoured Pledges =640,724,503; Amount Spent =524,555,028.

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

www.zimcodd.org/sdm_downloads/tracker-issue-62/

2. Is Zimbabwe`s Response to the 3rd Wave Good Enough?

The government yesterday (29th of June), announced a national lockdown (level 4) in a bid to mitigate the inimical and malevolent effects of the COVID-19 3rd wave. The following regulations hereunder were to take place with immediate effect:

- Business operating hours were reviewed to 0800-1530 hours
- Only 40% of the workplace taskforce is to attend physically the rest of the workers will operate from home.
- Commercial transport is to remain uninterrupted to allow swift movement of goods.
- Intercity movements were prohibited, except for the production and distribution of food and medicines.

- A COVID-19 vaccination blitz to be rolled out in border towns and cities, tobacco auction floors, grain marketing depots, cotton marketing depots, major construction sites, people's markets such as Renkini, Mbare and all hot spots.

In addition to the lockdown and 1800-0600 hours curfew, last week Zimbabwe received the 500 000 doses of Sinopharm it purchased from China. According to the government the received doses will be channelled towards various cities across the country which have been classified as COVID-19 hotspots[1]. The COVID-19 Hotspots which are also on the Weekly Reviews' Dashboard will see the government also adding border towns on their list. The 500 000 Sinopharm doses will be used to inoculate 250 000 people. The treasury assured the citizens not to panic as the government still has sufficient resources to handle the pandemic. As of 28 June 2021, the government had only used US$ 30 million[2] of the US$ 100 million it set aside on the 31st of January 2021 for the procurement of 20 million vaccines targeting approximately 10 million people which is 60% of the population so as to achieve herd immunity[3]. However, this is contrast from what is on the ground as many people are being turned away for 1st dose inoculation. Chiredzi and Chipinge General Hospital, Phakama (Gwanda), Nyameni clinic (Marondera), Nyamhunga Clinic, Kariba Heights and Mahombekombe (Kariba) Entumbane Clinic, Luveve, Pumula Clinic (Bulawayo), Glein View Satellite Clinic and Budiriro 1 clinic (Harare) are among the hospitals and clinics that had vaccine shortages and turning down those in need of 1st doses. To this end, the government still has resources in its coffers, there is need to ensure that purchases are made on time and the rollout plan is improved to channel sufficient resources to hotspot cities in a timely and effective manner.

3. White Farmer`s Compensation

In a bid to fulfil its promises to the white commercial famers, the government of Zimbabwe has paid a sum of US$ 1 million dollars[4]. It is critical to note that, although compensating white commercial farmers is a positive stride towards government`s reengagement efforts. It will speak volumes to government's stance on property rights. Transparency and accountability should be the hallmark of repayment process with the list of compensated farmers being publicised. At the same time, compensating white commercial farmers will add to the existing stock of debt which is already hovering above the 60% SADC debt benchmark and the 70% Zimbabwean debt benchmark as stipulated on section 11 of Public Debt Management Act. Thus, Zimbabwe is already in debt distress and there is need for an effective organic debt management process that is not only people-centred but gender sensitive as well.

4. Debt Watch

The USD3.5 Global Compensation Deed

Zimbabwe's total public debt as at December 2020 was estimated to reach 78.7% of GDP. The bulk of the debt is external debt 97.6% of the total debt with the remainder being domestic debt. In July 2020 the government signed a USD3.5 billion Global Compensation Deed for compensation of farm improvements to former commercial farmers who were displaced by the Fast-Track land Reform Program in 2000. This amount will add to the debt levels as the government will have to borrow funds through issuing a long-term debt instrument of three (3) years maturity on international capital markets. Although

[1] https://www.herald.co.zw/500k-doses-for-covid-hotspots/
[2] https://www.herald.co.zw/500k-doses-for-covid-hotspots/
[3] www.herald.co.zw/zim-to-receive-covid-19-vaccine/amp/?espv=1
[4] https://www.bloomberg.com/news/articles/2021-06-23/zimbabwe-makes-payment-of-1-million-to-white-former-farmers

this agreement is aimed at settling historical obligations, this commitment will further hamper government's ability to repay debts, seek out new credit lines or smoothly negotiate debt rescheduling with creditors. Last week the government reportedly paid USD 1 million to white commercial farmers[5]. In the agreement, half of the total sum of USD3.5 billion was expected to be distributed within one year while the remainder was to be spread over five years. In this regard debt transparency is critical for effective debt management.

5. Of command banking and financial repression

The RBZ pegged a minimum of 5% p.a. and 1% p.a. for ZWL and USD demand deposits accordingly. For term deposits, a minimum of 10 p.a. and 2.5 p.a. for ZWL and USD deposits was set. Whereas the move to 'remind' banks to pay interest on deposits is welcome, the nature of its pronouncement is not short of a 'command,' thereby insinuating some form of financial repression. The theory of financial repression notes that, it is not the prerogative of the central bank to set interest rates on deposits as this has the unwanted effect of de-stabilizing the interaction of the market forces of demand and supply. Empirical evidence shows that, the intervention of the government in the setting of interest rates in the banking sector leads to inefficient allocation of resources, high cost of financial intermediation, and low rates of return to savers and this discounts the potential growth of the economy. It is worth noting that the unstable fundamentals discourage economic agents from saving as the ZWL keeps losing value to incessant inflation as well as the negative exchange rate pass-through manifesting in the depreciation of the ZWL against other currencies. The transacting public prefer holding foreign currency to the ZWL given the stability in value associated with foreign currency. Interestingly, as much as the government pushes for ZWL savings, the very fact that government prefers foreign currency given the gazetting of most fees and service charges in foreign currency shows that the government has limited confidence in its own currency. The ZWL is held more as a speculative currency and most people prefer to extinguish their ZWL balances quickly as a measure of limiting inflation related losses. Therefore, the RBZ's move to direct banks to pay interest will not achieve much as citizens do not have confidence not only in the currency but the monetary and fiscal policies. Previously, citizens have been swindled by the government through fiscal and monetary policy changes that led to the impoverishment of many. Notably, the 5% p.a. is deplorable given that banks are lending at more than 60% interest p.a. thereby giving an unfair advantage to banks and a prejudice to the banking public. Command banking thus will perpetuate financial repression and limited economic gains to the public as the 5% p.a. minimum interest rate on deposits points to a negative return given the scale of inflation in the economy. Pursuing stable fundamentals before motivating for interest on deposits is therefore imperative.

6. Is Zimbabwe in sync with the US$12bn mining target?

The mining sector is pursuing a government target of growing the country's exports to US$12 billion by 2023, up from the US$2.7 billion attained in 2017. This is part of government's quest to revive and grow the country's economy and attain upper middle income by 2030 with agriculture and mining believed to be the key anchors upon which vision 2030 will be attained. To this effect, the Minister of Mines and Mining Development, Winston Chitando recently said, "the Government's target of building a US$12 billion mining industry was within sight, amid sustained production growth, and may be exceeded by the 2023 deadline[6]." He further noted that the mining industry target dovetailed into the Government's vision, of transforming Zimbabwe into an upper middle-income society by 2030. However, this remains contested

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[5] https://www.bloomberg.com/news/articles/2021-06-23/zimbabwe-makes-payment-of-1-million-to-white-former-farmers

[6] https://www.herald.co.zw/us12bn-target-in-sight-chitando/

given that the mining sector is one of the sectors through which the national fiscus continues to bleed as the industry is fraught with grand systemic corruption, illicit financial flows and unsustainable extractive-induced debt among other factors.

Clearly, the Government is not ready to be accountable with public funds and the implication is that the US$12 billion target and Vision 2030 may remain a pipedream, in view of the findings of the Office of the Auditor General (OAG). The 2019 OAG report is just but another edition of an appalling revelation on how public funds are mismanaged, misappropriated, diverted, misused and abused by those entrusted with them. As with previous reports, the 2019 OAG report is awash with cases of violation of the provisions of the Public Finance Management Act, the Procurement and Disposal of Public Assets Act, the Constitution of Zimbabwe and other stipulated financial systems and procedures. Perennially, the major irregularities are with reference to revenue mismanagement, budget execution, by-passing of procurement procedures, misstated employment costs, asset management among others. Governance malpractices continue to be registered in key ministries, state enterprises and parastatals with the Ministry of Mines and Mining Development and Zimbabwe Consolidated Diamond Company, not an exception.

The Ministry of Mines and Mining Development whose mandate is to formulate policies that ensure sustainable mining and marketing of mineral resources for the socio-economic well-being of the country's citizens and to regulate all mining operations to ensure compliance to statutory regulations is found wanting in terms of good governance. For the second year in succession, the OAG reported that outstanding revenue for this ministry has continued to increase for example from $10 956 134 in 2017 to $192 462 309 in 2018 and to $257 927 409 by 31 December 2019. It is concerning that the Ministry continues to lose on potential revenue yet no efforts have been made to collect the outstanding revenue dating back to 2009. This prejudices the country and the mining sector of the desperately needed resources to finance the infrastructural gap in the mining industry to ensure value addition before exporting. Against the tenets of good corporate governance, the Ministry in question had not yet finalized the risk management policy which had remained in draft form for the past three years thereby compromising the capacity of the Ministry to identify and mitigate possible risks in their operations.

According to the 2019 OAG report, STATE enterprises and parastatals incurred losses of about US$1 billion in 2019 due to corruption, mismanagement and bad corporate governance, thereby pushing a majority of them to the brink of collapse. Entities such as the Zimbabwe Consolidated Diamond Company (ZCDC) have their going concern status being questioned by the OAG particularly the mining firm's capacity to recover money exceeding US$400 million which it has failed to account for[7] and diamonds worth US$146.3million. The company also incurred loses to the tune of US$352 068 between 2017 and 2018 in respect of payment of goods not delivered. This compromises the ability of the company to generate the much-needed foreign currency to fund its expenditures for example importation of equipment and spares. ZCDC has also been operating without independent board of directors and this compromised objectivity and integrity of decisions. Government ministries, parastatals and state-owned enterprises have in successive OAG reports been implicated in gross financial malpractices but no action has been taken to redress such anomalies. The magnitude of impunity in the mining sector erodes the country's efforts towards the US$12 billion target, poverty eradication and overall realization of sustainable development goals. Punitive measures need to be implemented to stop further bleeding.

The President is on record promising zero tolerance in his government's push to punish corruption which stifled political freedom and economic growth under Robert Mugabe's 37-year rule. On his first State of the Nation address after assuming power he remarked, "on individual cases of corruption, every case must be investigated and punished in accordance with the dictates of our laws. There should be no sacred cows." However, based on the 2019 OAG findings, the Executive's commitment to good governance, prudent financial management, transparency and accountability in public finances remains questionable. It

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

is indisputable that Zimbabwe has the potential to earn and turn the wheels of the economy based on its vast mineral deposits. It should be noted that having mineral resources is not enough to transform the country into an upper middle-income economy by 2030. Therefore, sound Public Finance Management anchored on transparency and accountability in natural resource governance remain a pre-requisite for economic growth and development.

7. The Diaspora Vote: Should Citizens Abroad be allowed to vote?

Many democracies offer the option of external voting to their nationals residing abroad in response to the consequences of advancing worldwide democratization and massive economic, social and cultural globalization. An increasing number of less developed countries are today also seeking to offer external voting to their citizens, of whom a significant proportion often reside abroad. External voting operations are being organized to allow for the inclusion of these people in the electoral and political processes at home. Technological progress (including but not limited to e-voting) can sometimes provide increasingly effective and efficient means for elections to be free and fair, even if a large proportion of the voters are outside their country of origin.

External voting by post was part of the electoral laws that were introduced in Zimbabwe after 1980 when the country attained political independence. It was limited to electors who are absent from Zimbabwe while in the service of the government, such as diplomats, civil servants, and members of the armed forces and police. More than 3.5 million Zimbabweans live outside the country, mainly as a result of economic and political hardship, and about two-thirds of these are probably of voting age. This situation has given rise to increased demands by those living in the diaspora for external voting arrangements to be extended to them as well. The right to vote is enshrined in section 67 of the Constitution; "every Zimbabwean citizen who is of or over eighteen years of age has the right to vote in all elections and referendums to which this Constitution or any other law applies, and to do so in secret", however in May 2018, Zimbabwe's Constitutional Court ruled that Zimbabweans living abroad – except embassy staff and other civil servants – could not vote in elections.

The question of diaspora voting is usually presented as a matter of principle, based on the universality of the right to vote. In reality, however, the practice of such a right is enabled by legislation and procedures put in place by politicians. Politicians, by definition, are partisan individuals whose first interests are for the party they represent.[8] The fact that such a right has to be made possible by politicians who will first consider the impact of such a law on the future of the party leads to legislators, more often than not, disabling that right for the diaspora. Such disablement is premised on the untested belief that the diaspora will mostly vote for the opposition parties (in cases where the ruling party is the reason why such people are in the diaspora).[9]

The starting point should be to create an enabling environment that will not be manipulated by the authorities to suit their individual and partisan needs.[10] Countries such as Botswana, Mozambique and Senegal have shown that it is possible to accord the diaspora the right to vote. If systems are put in place, all the challenges that opponents posit can be overcome. It is therefore unfortunate that Zimbabwe, that had the opportunity to correct this imbalance during the drafting of the 2013 Constitution did not utilise that chance.

[8] "Voting from Abroad: The International IDEA Handbook"

[9] "The right to vote: Where do citizens in the diaspora stand?" https://www.polity.org.za/article/the-right-to-vote-where-do-citizens-in-the-diaspora-stand---part-2-2013-04-08 (accessed 24/6/21).

[10] "The right to vote: Where do citizens in the diaspora stand?" https://www.polity.org.za/article/the-right-to-vote-where-do-citizens-in-the-diaspora-stand---part-2-2013-04-08 (accessed 24/6/21).

Notwithstanding, the right to vote for all citizens, regardless of someone's domiciliary, should be an absolute right.

8. A Call for Transparency in the Allocation of RTGS500 Million Loan Facility for Small Businesses.

ZIMCODD welcomes government's decision to disburse RTGS500 million for small businesses. Cognizant of the fact that most small businesses are women and youth run, we expect the government to prioritise those small businesses that are owned and run by these sections of the population. In line with the SDGs which speak of leaving no one behind and section 20 of the constitution which obliges the State to come up with measures or policies that enhance and support youth economic empowerment and self-sufficiency, the government through the small businesses loan facility must ensure that young people who run start-ups and small businesses formal or informal across the country must financially benefit from this economic empowerment opportunity.

In addition, we are also calling on the government to be transparent in the identification of small businesses, the disbursement of the funds to individual micro enterprises and the repayment of the allocated funds over the agreed period of time of those small businesses who would have benefitted from the scheme. Transparency remains a key cornerstone in effective public finance management and this is clearly spelt out in section 298 of the Zimbabwean constitution. Thus, while we welcome the move to disburse RTGS 500 million by government to small businesses, we reiterate the need for none politicisation of these funds as well as the abuse of these funds by political elites and politically exposed persons.