

ZIMCODD

ZIMBABWE COALITION ON DEBT AND DEVELOPMENT

WEEKLY REVIEW

27 JULY 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 (13.07.2021)	Week (20.07.2021)
ZWL85.5099 per USD1	ZWL85.6373 per USD1

Covid-19 Cases

Week (18.07.2021)	Week (25.07.2021)
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Positive cases 83 619	Positive cases 97 894
Recovered 53 543	Recovered 65 913
Deaths 2 622	Deaths 3 094

COVID -19 Vaccinations

First & Second Vaccination
25/07/2021
2,127,402

National Recovery Rate

Week (18.07.21)	Week (25.07.21)
63%	67%

COVID-19 Hotspot

- Sanyati (22)
- Masvingo (25)
- Harare (156)
- NorthernSurburbs (22)

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1. COVID-19 Resource Tracker Issue No. 66

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\$ US\$850,895,684
Honoured Pledges = \$643,724,503
Amount Spent = \$527,555,028

For the week ending 13 July 2021:

Total Pledges = US\$-
Honoured Pledges =US\$-
Amount Spent = US\$50,000

The full tracker is found on: http://zimcodd.org/sdm_downloads/tracker-issue-66-2/

2. COVID-19 Vaccine Misinformation weakens Pandemic Management

Vaccine misinformation has constantly threatened Zimbabwe’s pandemic management. The resultant loss in public trust has been especially pronounced in the levels of vaccine hesitancy particularly amongst the youth. In this regard, false narrative dismissing vaccines as a hoax to swindle African resources and a means to terminate the black people through biological warfare¹ have proliferated on social media. These narratives cost lives as indicated in the report on “COVID-19 Admissions and Community Deaths by Vaccination Status” by Dr A Mahomva which was released on the 23rd of July. The Report (Fig 1 below) shows COVID-19 fatality rate by vaccination.

¹<https://www.bostonglobe.com/2020/12/01/opinion/every-effort-must-be-made-convince-black-people-covid-19-vaccines-efficacy-safety/>

COVID-19 Third Wave Mortality: Community Deaths by Vaccination Status as of 22 July 2021 Harare

207 Total Number of deaths analysed (Mortuary data)

- **88.9% NOT vaccinated**
- 3.4% Had received 1 dose
- 4.8 % Had received 2 doses
- 2.9% Not Known



Source: Prof R Makunike-Mutasa University of Zimbabwe Histopathology Department and Member COVID-19 Experts Advisory Committee

The data presented above shows that 88.9% of the 207 deaths were not vaccinated, while 3.4% had received 1 dose and 4.8% had received 2 doses. This stands to reason that, the vaccine is working effectively in reducing mortality rate. There is therefore need to fight vaccine misinformation for pandemic management processes to succeed.

Restoring public trust in Public Institutions and Public Authorities is central to the fight against misinformation. Broader structural factors such as corruption, austerity measures, disputed elections and privatisation have contributed to the decline of public trust and confidence in the State. These require long-term transformation to resolve. In the meantime, broader transparency and accountability from political elites must improve for the public to comply with the urgency and necessity of adhering to shared rules especially those designed to curb the pandemic. Secondly, there is need to broaden and guarantee citizen participation in pandemic management processes through inclusive, consultative processes and devolved multi-stakeholder coordinating structures. Thirdly, measures to ensure access to information about the pandemic must be sustained but backed by functional feedback loops and complaints mechanisms. The government needs to ensure robust information dissemination across the country in all the constitutionally recognised 16 languages.

3. Expectations of the Mid-Term Budget Review

The Minister of Finance and Economic Development will present a Review of the 2021 National Budget on the 29th of July 2021. The Mid Term-Budget Review offers the government an opportunity to make incremental policy shifts to gaps in fiscal measures adopted in the 2021 national budget and also to sharpen fiscal instruments to better address emerging challenges.

The 2021 Mid-Term Budget Review is an important moment for the Minister to reverse the current neo-liberal policy course in order to give Zimbabwean families a fighting chance to withstand the multiple headwinds of the COVID-19 pandemic, economic decline, austerity measures, household debt bondage, cutbacks in public services, growing crime and insecurity and climate impacts. Anticipated decline in

diaspora remittances amidst disturbances in South Africa will likely propel more households deeper into poverty and insecurity.

Access to Education, the nation's hope for social mobility is daily denied to millions of Zimbabwean children without access to mobile data, mobile gadgets and online education facilities during rolling lockdowns. The manifold impacts of the policy neglect and failure to adequately resource alternative arrangement to guarantee access to education are already manifest in increased child pregnancies, drug abuse and violent crime.

The formal economy now predominantly operates for the benefit and interest of a small few. Job creating economic growth is no longer on the agenda despite previous electoral commitments by the ruling party to secure 2 million jobs. More than 500 000 people lost their jobs from 2020 as companies either closed or down-sized thereby trimming productivity in the economy. The loss of jobs and income has further increased insecurity, vulnerability and extreme poverty (8 million people are reportedly living in extreme poverty).

The health sector faces operational challenges due to an unmotivated workforce, shortage of COVID-19 vaccines, lack of basic equipment and drugs amidst increasing COVID-19 hospitalizations.

Resourcing the Government's fiscal challenges is an enduring challenge. Domestic resource mobilisation efforts of the government must reckon with the prevailing tax injustices that continue to take more from the poor to subsidise the rich through debt repayments and acquisitions, tax breaks to rich mining companies and unaccountable subsidy programmes for partisan processes. The government can do more for the people by doing more to stem resource leakages through corruption and theft of public resources. Hopes in the prospects of a 12-billion-dollar mining industry are undermined by the rampant illicit financial flows in the extractives sector, the Mid Term Budget Review must indicate concrete plans to stem illicit financial flows and free up mineral resources for the public benefit.

ZIMCODD urges the Minister to use the Mid-Term Budget Review to indicate bold transformative measures to make the Zimbabwean economy work for the many not the few. In particular ZIMCODD is calling for:

- The reversal of austerity measures and provision of a supplementary budget to widen the coverage of safety nets to support poor households with young, elderly and disabled dependents. It is time that Zimbabwe starts moving towards a Universal Basic Grant with the aim of ensuring every Zimbabwean has a dignified quality of life regardless of gender, class or political affinity.
- Supplementary budget provision to improve the Education sector's overall COVID preparedness; remote learning facilities; extra holiday tuition for exam writing classes and improved conditions of service for Teachers and school staff.
- Supplementary budget provision to increase coverage of ongoing vaccination drive; incentivize and protect frontline health service workers; and improve health service infrastructure at local and referral levels.
- Reversal of plans to introduce a Presumptive Tax regime targeting the informal sector and the introduction of strengthened mechanisms to provide stimulus funding to improve decent job creation and productivity in the informal sector and smallholder agriculture. To this end the Venture Capital Fund must be devolved to support remote SMEs.
- Restoration of public trust in the Government stewardship of national resources in the public interest particularly through: **i.** robust measures to stem illicit financial flows and the provision of unaccountable tax incentives in the extractive sector; **ii.** Equally robust measures to stop corruption and theft of public resources; **iii.** Clear and accountable roadmap to resolve the national debt question.

4. Debt Watch: Debt and Corruption

Corruption contributes immensely to ballooning public and publicly guaranteed (external and domestic) debt which according to the 2020 public Debt Bulletin is currently estimated at US\$10.7 billion as at end December 2020, representing 72.6 per cent of GDP.

There is a correlation between corruption and public debt. The World Bank defines corruption as the abuse of public office for private gain whereas public debt refers to the amount of money a country owes to lenders. Studies conducted by Cooray and Schneider (2013) demonstrate that corruption leads to an increase in public debt and that the effect of corruption on public debt is exacerbated by increased government expenditure and increased size of the shadow economy. Further, Apergis and Apergis (2019) explored the link between corruption and government debt through a regime-based approach. The study reveals that public debt appears to respond faster to a high corrupt regime compared to a low corrupt regime.

The Link between Debt and Corruption

A big portion of Zimbabwe's debt is a result of grand corruption and bad governance. The Government of Zimbabwe has contributed significantly to the country's growing indebtedness through bailing out and taking over the debts of a number of parastatals through the Reserve Bank of Zimbabwe (RBZ) Debt Assumption Act (2015). Elite's debts have been offloaded onto the shoulders of tax payers through Debt Assumption and the Zimbabwe Asset Management Company (ZAMCO). ZAMCO was established by the RBZ and its mandate is to buy non-performing loans from the banking sector. Through, state capture, political elites have taken advantage of ZAMCO to borrow and transfer the burden to citizens.

Below are some examples demonstrating the link between debt and corruption where debts are accrued as a result of corruption or to support rescue schemes on corrupt deals:

- a) Under ZAMCO-political elites took loans from banks and failed to pay back. The loans were then bought back by the government through ZAMCO. This means private debt was transferred from the private sector to the public sector raising the public debt. In other terms, the burden on private banks and their shareholders was effectively transferred to tax payers resulting in tax payers funding the life style choices of the political elites who borrowed from the banks.
- b) Secondly in Zimbabwe, public procurement presents vast opportunities for rent seeking as public officers seek bribes and other benefits including inflation of prices of goods and services. Corruption in procurement raises the cost of public debt because prices are inflated to cover for bribes which are demanded by public officers. The Draxgate scandal is one such example involving US\$60 million corruption scandal over the procurement of COVID-19 medical supplies.
- c) Third but not last the government farm mechanisation program. Following the failure by the beneficiaries of the farm mechanisation program to pay back for the loans, the government assumed the RBZ debt of US\$1.35 billion in 2015. Suppliers may have overpriced farm equipment which was later given for free to beneficiaries but the cost was passed on to tax payers through increased public debt. Related to this is Command Agriculture a government subsidy program which is also marred with corruption and leakages. Reports point to about US\$3billion that was injected into Command Agriculture outside parliament approval.

Resolving the correlation between debt and corruption requires political will and leadership at the highest level. The government must be prepared to demonstrate political will to arrest and prosecute perpetrators and guarantee the independence of the responsible institutions such as the judiciary and the Zimbabwe Anti-Corruption Commission. Further, there must be transparency and accountability in debt contracting. The constitution of Zimbabwe contains clauses that deal with corruption and transparency regarding debt contraction and these must be adhered to.

5. Weekly Advocacy Message: Transitioning Informality to Formality for Zimbabwe

On the 14th of July 2021, ZIMCODD conducted a decent work and informality webinar. Thereafter, the following submissions were made to the government of Zimbabwe on how Zimbabwe must transition from informality to formality:

Enhancing Transparency and Accountability and Promoting Artisanal Miners, an Example from Chile

- 65% of earnings from the gold sector in Zimbabwe are from artisanal miners – but they are informal and operate on a ‘no-questions asked’ basis. There is need for formalization.
- Enhancing transparency and accountability around mineral revenues: The example from Chile is useful where the Government adopted a Transparency and Access to Public Information Law for all public agencies. In terms of reporting the Finance Ministry regularly publishes information on production volumes, prices, mineral export values, royalties and special taxes and audited financial statements and annual reports are regularly published.
- An example of formalization would entail linking artisanal miners to established mining houses as was done in Chile where the government set up the Empresa Nacional de Minería (ENAMI), (the sixth largest copper exporter in Chile), whose Board of Directors is made up of the Minister of Mining, a representative of the Minister of Finance, a representative of the President, a representative of COCHILCO, the copper advisory agency and SONAMI, an industry association comprising small, medium-sized and large copper producers, with a mission of providing technical, financial, and metallurgical production and trading services that ASM miners require in order to be competitive.

Monitoring and Evaluation and Institutional Framework for Policy Coordination: An example from Rwanda

- Given the multi-faced and multi-layered interventions and actors operating at the national, sectorial and local levels, an effective institutional coordination framework is required if such interventions are to have national impact.
- An example is the establishment of the Capacity Development and Employment Services Board (CESB) in Rwanda where the National Capacity Building Programme, Employment Services and LMIS were merged.
- The new agency also provides policy advice and coordinates the implementation of the national capacity development strategy, the national human resource development strategy, as well as the national employment programme and interventions across sectors.
- While CESB is at the operational level, Ministry of labour (MIFOTRA) will provide policy oversight.

6. Disregard of the Auditor General’s recommendations – A cause for concern

Year in year out, the Office of the Auditor General (OAG) does a tremendous job in unearthing both financial and non-financial misconduct by various public entities in Zimbabwe. These include parastatals, government ministries and departments, local authorities and other statutory and constitutional bodies. It is important for one to note that, the Auditor General does not end at unearthing the gross public financial and non-financial misconduct but also proffers recommendations for redress. It is however worrisome to note that these recommendations are either ignored or partially implemented. According to the 2019 Auditor General’s report there is low uptake of audit findings and recommendations from previous years with the same report revealing that out of the 356 recommendations made by the OAG in 2018, only 26% were fully implemented, 25% partially implemented and 49% were not implemented at all. This trend continued from 2017 where of the 435 recommendations made only 25% were fully implemented; 19% partially implemented and 56% not implemented at all. There is generally lack of political will by the responsible authorities to implement recommendations from the OAG. The recurrence of

both financial and non-financial irregularities bears testimony to the low response of public entities to calls made by the Auditor General.

Some of the reasons behind low uptake of OAG's recommendations

- ✓ There is lack of monitoring framework to track the implementation of the OAG's recommendations in public entities which makes it difficult to assess the extent to which recommendations are put into practice. There is also need for a legal provision for the establishment of a Specialised Committee in each public entity, constitutional entity and local authorities, a committee which is responsible for the enforcement of recommendations from the Office of the Auditor General.
- ✓ State capture and the influence of politically exposed persons is one of the major factors behind the low uptake of OAG recommendations. So many public institutions are captured resulting in some huge contracts being awarded to politically powerful people such that it becomes difficult to follow up in case of non-delivery of services and products. There is an urgent need for political will to deal with state capture.
- ✓ Some public entities and local authorities lack the capacity and requisite skills to implement some of the issues raised by the OAG for instance in the 2019 Report on Local Authorities, the OAG advised the Gweru City Council to come up with a Risk Management Policy yet the Council itself does not have a Risk Manager. With a weak skills base in public entities, the implementation of the recommendations remains low. There is need for civil society to advocate for an objective assessment of the capacity of public entities and push for redress of those gaps.
- ✓ The oversight role of Internal Audit Committees in public entities remains subdued. They should be making periodic reviews in as far as utilization of public resources according to statutes is concerned. However, it takes the national Auditor to pick the anomalies. It therefore means that the Internal Audit Systems are weak or they are also involved in graft or are subdued in political arrangements.
- ✓ Lack of capacity amongst key accountability institutions is also a challenge in the implementation of OAG recommendations for instance it is difficult for the Zimbabwe Republic Police (ZRP), the Parliament of Zimbabwe, the Zimbabwe Anti-Corruption Commission (ZACC) and the Courts do not have the technical skills needed to decisively deal with the complex white-collar corruption. There is therefore need for a holistic approach to capacitate these institutions.

Given this background, the Audit Office Act must be amended and accord the Auditor General powers to enforce the recommendations from the reports by all concerned public entities, constitutional entities and Local Authorities. Furthermore, there is need to ensure that noncompliance or lack of implementation of the Auditor General's recommendations is considered a criminal offence and the Accounting Officer must be held accountable for such an offence.

Strategic partnerships between OAG, Legislature, Civil Society and other accountability institutions must now converge to call for the implementation of the Auditor General's recommendations. Increasing public awareness and critical engagement around the OAG Report will also go a long way in assisting the OAG to execute its mandate.

7. Government can do more to facilitate Gender Equality: OAG Report

Zimbabwe is a signatory to a number of international and regional agreements that seek to foster the realisation of gender equality and women's rights. To mention a few these, include, The Convention on the Elimination of all forms of Discrimination against Women and the Beijing Platform for Action. Apart from the international treaties there are constitutional provisions and policies that seek to advance the realisation of gender equality. However, in spite of all these progressive frameworks and pieces of legislation, the implementation of such in letter and spirit has been lagging. Disheartening to find is lack of commitment on government's part to genuinely address the much visible gaps which keep depriving women of their socio-economic wellbeing. The recent 2019 Auditor General report has unearthed lack

of genuine efforts by various government departments to employ techniques such as gender responsive budgeting which is critical towards the achievement of gender equality.

The report by the Auditor General has flagged out a lot of non-financial irregularities among government ministries and departments. While gender responsive budgeting is an inclusive and important tool that contributes to advancing gender equality and fulfilling the rights of women, disheartening to find in the report is the lack of follow ups with treasury to release funds set aside for gender responsive activities. According to Appropriation Act of 2019 a total of \$390,000 was set aside for gender responsive activities, but however there was no evidence of follow ups neither was there any evidence of submission of gender sensitive targets and plans of 2019 to treasury to release the allocated funds. When proper written submissions are not done, it translates to mean that treasury may not release funds abrogating the rights of many young girls and women who are in need.

Another cause for concern highlighted in the report is the lack of gender mainstreaming among government line ministries. The report revealed lack of gender polices and mainstreaming in government ministries which include policy programs, projects and provision of services. Some of the ministries have the policies in draft but do not have the pre requisite gender committees to coordinate awareness and gender related activities. It is important to remind each other that Sustainable Development Goal Number 5 requires urgent and collective action particularly on government part to eliminate all forms of discrimination that setback women and young girls from enjoying their rights.

It is time to put in place mechanisms that ensure good governance and implement recommendations of OAG in earnest as mandated by Section 265 of the National Constitution if gender equality and sustainable development is ever to be attained in Zimbabwe.