ZIMCODD

ZIMBABWE COALITION ON DEBT AND DEVELOPMENT

WEEKLY REVIEW

17 AUGUST 2021

ABOUT ZIMCODD:

The Zimbabwe Coalition on Debt and Development (ZIMCODD) is a social and economic justice Coalition established in February 2000 to facilitate citizens` involvement in pro–people public policy. ZIMCODD views indebtedness, the unfair global trade regime and lack of democratic people–centred economic governance as the root causes of 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 (03.07.2021)	**Week (11.08.2021)**
ZWL85.7286 per USD1	ZWL85.7467 per USD1

Consumer Price Index

June	**July**
3.88%	**2.56%**

July Year on Year Inflation
56.37%

Food Poverty Line (FPL) for 1
$ ZWL 4,379.00

Total Consumption Poverty Line
ZWL $ 6,126.00

Covid-19 Cases

Week (08.08.2021)	**Week (15.08.2021)**
Positive cases 116 327	**Positive cases** 120 088
Recovered 88 829	**Recovered** 97 323
Deaths 3 900	**Deaths** 4 109

National Recovery Rate

Week (08.07.21)	**Week (15.08.21)**
76%	**80%**

Contents

1. COVID-19 Resource Tracker Issue NO. 69

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$859,918,157
Honoured Pledges = $643,724,503
Amount Spent = $580,555,028

For the week ending 10 August 2021:
Total Pledges = US$ 8, 128, 355
Honoured Pledges =US$-
Amount Spent = US$-

The full tracker is found on: http://zimcodd.org/sdm_downloads/tracker-issue-69/

2. Debt Watch: Zimbabwe debt now at 71.2% of GDP

Public and Publicly Guaranteed External debt including RBZ external guarantees as at 31 December 2020 amounted to US$10.5 billion which is about 71.2% of GDP. Of that amount, arrears alone make up over US$6.5 billion (77%) of total external debt. Last week, the government (NOIC) announced that it was entering into a Joint Venture with COVEN Energy for the construction of a pipe line costing US$ 1.3 billion. Currently, the government does not have that amount of money and this means more debt.

3. Construction of a New Fuel Pipeline: Another Drax Gate

It is Draxgate all over again!! The 27th post-cabinet press briefing held on the 11th of August 2021 noted that the government had "*proposed a partnership between National Oil Company of Zimbabwe and COVEN Energy Ltd. to develop a Second Petroleum Products Pipeline and establish Harare as a Regional Hub for Refined Petroleum Fuel Supplies to the Land-locked SADC States*". While the idea might be noble, citizens question the timing, circumstances and procedures used to determine the company to enter into a joint venture with. A publication on the 13th of August by Nehanda Radio noted that, COVEN Energy does not have the capacity to undertake the project as it is not only one year old but operates from a block of flats in London. This is reinforced by Hopewell Chin`ono who stated that;

> "*The UK Company that won the US$1, 3 billion tender to build the Beira fuel pipeline for Zimbabwe uses an address that is a block of flats in London, just like the bogus Drax International did last year! 1 Bolinder Grove SW6 is a block of flats in South West London,*"[1]

This is reminiscent of the days of the Draxgate scandal in which Politically Exposed Persons (PEPs) looted approximately US$ 20 million in a flawed tender process. According to British Broadcasting Cooperation (BBC) (2020) roughly US $60 million was looted in the said tender scandal. The Minister of Health is alleged to have directed that Drax should be awarded the tender to supply COVID-19 equipment, medicines and face masks[2]. This was in direct violation of Public Procurement and Disposal of Public Assets Act as Drax's ability to deliver was not assessed and the tender bidding process was not followed. To this end, the National Oil Company of Zimbabwe (NOIC) and COVEN joint venture incites public skepticism indicative of the existing trust deficit between government and citizens. This emanates from strong evidence of abuse of public resources and hence questions of transparency and accountability in respect to tender processes. This skepticism from previous experiences has been exacerbated by the government`s failure to publicize granular data on the NOIC and COVEN joint venture. The costal change of the pipeline is another cause of concern, in July the government indicated that the construction of a pipeline will cost US$ 850 million. One month later, on the 11th of August the cost changed to US$ 1.3 billion, a variance of US$ 450 000 which could not be explained while citizens have not been made privy to the needs assessment that informs this joint venture project. However, for robust interrogation and reflection of the deal, ZIMCODD questions whether the available pipeline has achieved optimal utilization? And whether the single pipeline is not able to achieve the desired goal; at least in the interim why not channel resources towards urgent needs such as road infrastructure, water and health service delivery? There are fears and concerns of another 'blood rush' mega deal with minimal returns on investment. In the past Zimbabwe has run out of fuel, despite the existence of the Feruka pipeline due to a lack of foreign currency to purchase the fuel and not because of a lack of infrastructure to supply the fuel. Priority should then should be placed be on boosting productivity and exports to increase forex reserves. The only consolation is that at least the joint venture is with the parastatal NOIC and not meant to enrich individual moguls like Tagwirei.

4. The Existing Exchange Rate Policy Brewing Poverty

On 23 July 2020, the Reserve Bank of Zimbabwe introduced a new exchange rate management mechanism in the form of the Dutch Forex Auction System discarding the fixed exchange rate regime which had been in use. This policy shift was driven largely by the excessive Zimbabwe dollar (ZWL$) exchange rate depreciation experienced mostly in the alternative (parallel) markets thereby fuelling the price spiral.

The stability of the parallel rates is of vital importance to price stability in Zimbabwe since the economy is highly informalized, with nearly 100% of the forex demand by both the public and informal businesses coming from these alternative markets. Furthermore, due to some periods of illiquidity in the RBZ interbank market, formal businesses will also be forced to augment the limited forex supplies attained through official channels with sourcing in the parallel market. As

[1] UK company that won US$1,3 billion Beira-Harare fuel pipeline tender is 'using bogus address' – Nehanda Radio

[2] B. Mutizwa, "COVID-19 a Global Nightmare: Revamping the Zimbabwean Health Sector (ZHS) For Future Epidemic and Pandemic Management," Journal of African Problems and Solutions, vol. 2, no. 1, pp. 59-73, 2020.

such, the parallel rates have become a pricing benchmark in Zimbabwe. Hence, whenever there is an exchange rate overrun in alternative markets, citizens experience a significant inflation wave thereby worsening underlying conditions of poverty and inequality within and between communities across the nation.

The forex auction market is failing to serve its key purpose of ZWL$ price discovery, which is key in dampening inflationary pressures. The percentage difference between official and alternative rates -parallel premiums have significantly widened since the beginning of the year. At the current RBZ rate US$1 is trading for ZWL$85.7 while trading at an average rate of ZWL$150 in the alternative markets, giving a variance (premium) of over 75% against the best global standards of 20%. This is a shred of evidence that the bank rate is now out of sync with market fundamentals. From this alone, one could safely conclude that there is a visible hand controlling the auction rate. Why? Recently, the Bank reported that it is running a huge forex backlog; a time lag between bidders placing their bids and receiving the bid amounts; of over US$200 million. If the auction market was truly market-driven as reported by the monetary authority, the burgeoning forex supply deficit against rising forex demand should have been largely reflected in the weekly rate changes. However, since the beginning of the year, the RBZ rate has barely moved.

By 'fixing' the rate, the Bank is not doing itself any favours as this is fuelling parallel market rates and hurting the average citizens who are earning in local currency. Consequently, the current massive depreciation of the local currency is significantly eroding consumer purchasing power, plunging millions into absolute poverty. Therefore, the government should fine-tune its exchange rate policies to stabilize the currency as this facilitates not only economic advancement but also accelerate social development, lifting millions out of poverty. Also, strong social safety nets must be erected and strengthened to cushion the vulnerable members of the society from the effects of inflation and unemployment.

5. Government Is Holding Poor Farmers for Ransom

In 2019, the government gazetted Statutory Instrument 145 (SI 145) which classified maize grain as a controlled product. As such, no person or entity is allowed to sell or otherwise dispose of maize except to a contractor or the parastatal, the Grain Marketing Board. This year, another instrument was gazetted, SI 97 of 2021 which restricts the sale of soyabeans. Authorities argue that by controlling these commodities, various middlemen will be eliminated thereby reducing the risks of financial prejudice of farmers. Also, since maize is a staple grain, controlling it will accelerate delivery to the national Strategic Grain Reserve. The grain reserve is key in providing the first line of defence in the event of a food emergency.

However, these instruments gave the government absolute control over the pricing as well as the currency in which payments for these purchases are to be made. GMB is currently buying a ton of maize at ZWL$32,000 whilst the price of soyabeans is going for ZWL$48,000. The parastatal is expected to buy about 2 million tons of grains comprising of 1.8 million tons of staple maize and 200,000 tons of traditional (small) grains in the ongoing marketing season. The latest available statistics show that farmers have so far delivered over 629,000 tons of grains. The parastatal promised to pay farmers for all deliveries within 2 weeks from the date of receiving the grains. But, be that as it may, farmers especially smallholder farmers are going for months without being paid despite their deliveries to GMB. Some reports[i] indicate that as of August 10, the GMB was owing about ZWL$9.4 billion in unpaid deliveries. This shows the lack of funds from the Zimbabwe Treasury since the now-to-be-spent ZWL$60 billion on grain purchases were not initially budgeted in the 2021 budget as presented last November.

The GMB payments are being made in local currency and the ZWL$ is depreciating weekly. These delayed payments are disadvantaging small-scale farmers, noting that a majority of them come from poor rural households. The government is taking these farmers at ransom for the reason that some of them were afforded free inputs under the Presidential Input Scheme. We believe that farmers should enjoy value for money hence the need to be paid promptly. In addition to this the government should remove controls on maize to allow individuals and entities to buy maize directly from farmers. This would increase market competition thereby creating more value for non-contracted farmers.

6. Health Service Amendment Bill A Threat to Employee Rights and Service Delivery

Although the health is a critical sector whose operations need no interruption it is concerning to note that the recently published Health Service Amendment Bill seeks to suppress health workers from speaking out or protesting against poor wages and service conditions (dilapidating equipment). This will impede upon health worker`s rights and the ramification of such amendments will cascade down to their performance culminating in poor service delivery. The consequences, are therefore, detrimental as they aggravate service delivery in an already decrepitude and dilapidating sector which the majority of the citizens relies on.

The Health Service Amendment Bill intends to align the Health Service Act (Chapter 15:16) to the constitution by classifying health delivery service as a commission, a paradigmatic shift from the current board status. A noble reform which should be celebrated in an ideal environment with competitive salaries for health personnel. However, the unavailability of such has negative ramifications. This is because among other things, the bill places parameters, limits to collective job action for more than 72 hours as well as outlaw strike incitement. Section 2 and 3 of the bill notes that:

> *"(2) Notwithstanding anything in the Labour Act [Chapter 28:01] — (a) the Health Service shall be deemed as an essential service referred to in section 65(3) of the Constitution; and (b) no collective job action whether lawful or unlawful shall continue for an uninterrupted period of 72 hours or for more than 72 hours in any given 14- day period; and (c) notice of any collective job action must be given in writing 48 hours prior to the commencement of such collective job action,"*

> *"(3) Any individual who is a member of the governing body of any trade union or representative body of members of the Health Service which incites or organises any job collective action contrary to sub-section 2(b) 25 or (c) shall be guilty of an offence and liable to a fine not exceeding level 10 or to imprisonment for a period no exceeding three years or to both such fine and such imprisonment."*

Although health service is essential and requires uninterrupted operation, the above amendments are viewed as retrogressive and oppressive, disregarding the rights of health workers. Instead of creating a conducive environment for engagement, the government outlaws all options that health workers have to force them to engage with them. The same modus operandi has been used before, April 2018, when the government fired approximately 16 000 striking nurses[3] instead of engaging with them. To this end, the government is more concerned about using the stick than the carrot as such it should be prepared to face the consequences which in this scenario range from the mass exodus of health workers, poor services as well as the derailment of the National Development Strategy 1. Zimbabwe seeks to attain an upper middle-class economy by 2030 and the health sector is critical in the attainment of such as the sector is responsible for human capital development which is the nerve-center of national development and economic growth.

If the government is to attain a competitive health sector it must address the concerns raised by health workers and not infringe their rights. The bill does less of that and creates an atmosphere for the proliferation of disgruntlement among health workers. If the government was undertaking robust consultations and a feasibility study it would have meant that in in his Mid-term Budget Review, the Minister of Finance would have given the health sector an incremental allocation or draw down from the ZWL 9.8 billion surplus he reported. If one is to use the current ruling exchange rate which is at US$ 1= ZWL 85 the surplus is US$ 115,294,117 and this would go a long way in turning around the fortunes of the health sector

[i] https://www.herald.co.zw/bumper-yields-must-wean-off-farmers/

[3] Zimbabwe Coup Leader General Chiwenga Fires 16,000 Striking Nurses | theZimbabweNewsLive