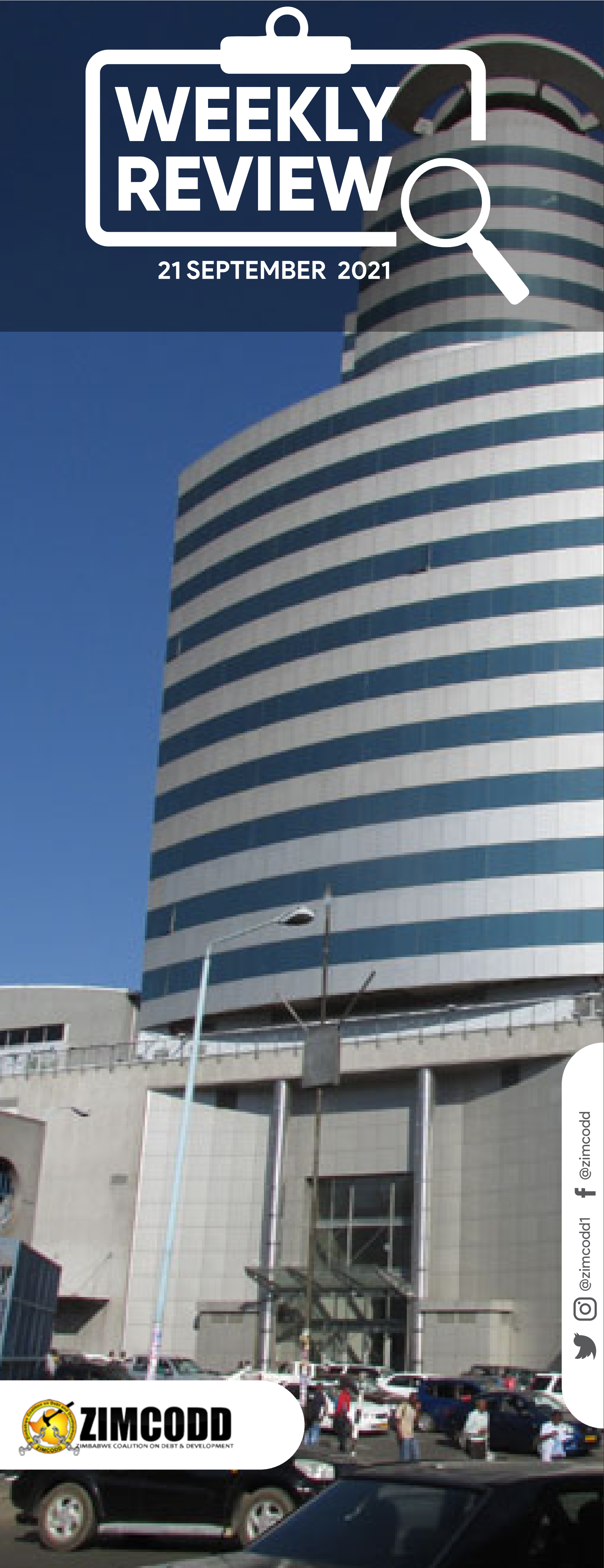
WEEKLY REVIEW

21 SEPTEMBER 2021



ZIMCODD
ZIMBABWE COALITION ON DEBT & DEVELOPMENT

@zimcodd @zimcodd1

WEEKLY DASHBOARD

FOREX AUCTION WEIGHTED RATE

WEEK	07.09.2021	14.09.2021
RATES PER US$1	ZWL86.2131	ZWL86.3010

CONSUMER PRICE INDEX

MONTH	JULY	AUGUST
	3, 062.93	3,191.05
BLENDED	0.67%	1.32%

YEAR ON YEAR INFLATION:

MONTH	JULY	AUGUST
%	56.37%	50.24%

COVID-19 CASES

WEEK	12.09.2021	20.09.2021
POSITIVE	126 269	128 186
RECOVERED	118 729	121 098
DEATHS	4 538	4 569

NATIONAL RECOVERY RATE

WEEK	(12.09.21)	(20.09.21)
	94%	94%

ABOUT ZIMCODD

The Zimbabwe Coalition on Debt & Development (ZIMCODD) is a social & economic justice Coalition established in February 2000 to facilitate citizens involvement in pro-people public policy. ZIMCODD views indebtedness, the unfair global trabe regime & lack of democratic people-centred economic governance as the root cause of socio-economic crises in zimbabwe and the world at large

CONTENT

1. COVID-19 RESOURCE TRACKER ISSUE NO. 73

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 COVID-19 Resources Tracker aims 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 every week.

TOTALS

PLEDGES	HONOURED PLEDGES	AMOUNT SPENT
US$906, 457,157	US$658,724,503	US$588,255,028

THIS WEEK FOR THE WEEK ENDING 17 SEPTEMBER 2021:

PLEDGES	HONOURED PLEDGES	AMOUNT SPENT
US$-	US$-	US$ 200 000

DOWNLOAD FULL TRACKER

HERE

https://zimcodd.org/sdm_downloads/tracker-issue-74/

2. DEBT WATCH: Zimbabwe is Facing a Debt Crisis

In the week under review, the state-controlled paper, the Sunday Mail, took stock of how the government has fared so far in terms of the promises it made. This was a direct reply to the questions that have been raised by ZIMCODD's #Howfar Campaign. The state-controlled paper labelled these calls for debt audit as a 'noble idea' but denied that the country is facing a debt crisis. "While an audit is a noble idea, this does not make the issue a crisis as ZIMCODD desperately wishes it to be" reads the article. Hence, this alarms the need for clarity on what is a national debt crisis and if Zimbabwe is facing one.

Ballooning public debt and the need for a debt audit to inform citizens on the scale and nature of the country's debts is an issue of concern for all Zimbabweans.

An independent and transparent National Debt Audit to inform popular engagement around the national debt and whether they should be repaid is longer overdue. Zimbabwe still has high debt levels and huge payments to make during this time of pandemic and increased hardship. This underscores the need for an open and inclusive public engagement to find solutions to the debt crisis. Zimbabwe is facing a debt crisis with unsustainable external arrears.

Heavy indebtedness cripples the country's ability to mobilize resources to fund various developmental programs and service delivery. Because of the shrinking fiscal space, the government has resorted to domestic borrowing as evidenced by spiking local debt. The National Treasury estimates local debt at about ZWL$20 billion. In addition, the 2021 fiscal deficit which is being financed by domestic borrowing is projected northwards of ZWL$30 billion. The government is struggling to settle the existing debt overhang yet the clearance of arrears is essential to unlocking new credit lines such as concessionary loans from international financial institutions (IFIs).

As such, the country has resorted to token payments to its creditors -very small payments made upon the debt and are intended to merely acknowledge the existence of the obligation. Zimbabwe's over-reliance on domestic borrowing is crowding out private investment as the competition for loanable funds in the market increases leading to high-interest rates. Developing countries like Zimbabwe are characterized by poor infrastructure, high poverty prevalence, and weak domestic financial markets. For this reason, access to external financing becomes crucial in augmenting limited domestic resources ultimately speeding up economic growth, job creation, and improvement of living standards.

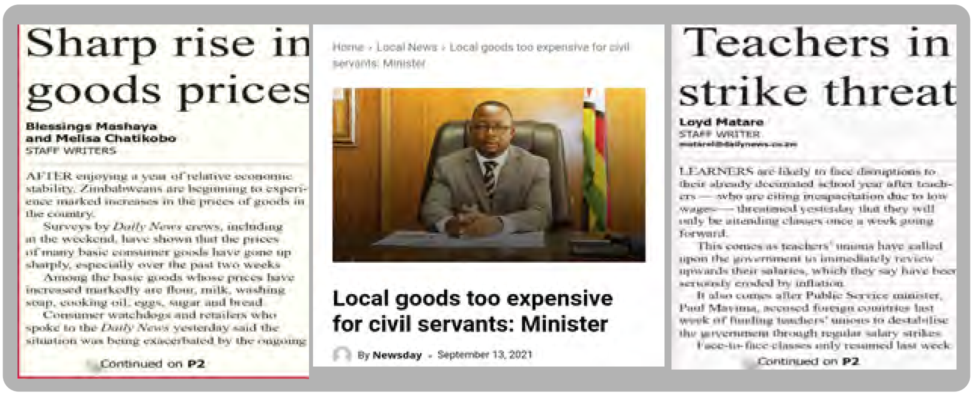
According to Britannica, a debt crisis is a situation in which a country is unable to pay back its government debt. A country can enter into a debt crisis when the tax revenues of its government are less than its expenditures for a prolonged period. This is the exact case for Zimbabwe in which over US$6.5 billion of its US$10.5 billion external public and publicly guaranteed debt including RBZ guarantees are arrears (i.e., an amount that was owed on a particular date but has still not been paid).

ZIMCODD will join government and other key stakeholders to discuss the resolution of the national debt crisis during the Multi-Stakeholder Debt Conference to be held from the 22nd to 24th of September.

3. GROWTH MUST NOT ONLY BENEFIT THE ELITE

The Government of Zimbabwe (GoZ) projects a positive economic outlook for the country; first in terms of macro-economic performance, and secondly, with the revision of the GDP growth for 2021 from 7.4% to 7.8% as presented in the 2021 Medium Term Budget and Economic Review. Whereas government is publicizing growth optimism and stability of fundamentals, newspaper headlines and obtaining realities on the ground show otherwise.

Newspaper Headlines from the past week



Sharp rise in goods prices

Blessings Mashaya and Melisa Chatikobo
STAFF WRITERS

AFTER enjoying a year of relative economic stability, Zimbabweans are beginning to experience marked increases in the prices of goods in the country.

Surveys by *Daily News* crews, including at the weekend, have shown that the prices of many basic consumer goods have gone up sharply, especially over the past two weeks

Among the basic goods whose prices have increased markedly are flour, milk, washing soap, cooking oil, eggs, sugar and bread

Consumer watchdogs and retailers who spoke to the *Daily News* yesterday said the situation was being exacerbated by the ongoing

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Local goods too expensive for civil servants: Minister

By **Newsday** • September 13, 2021

Teachers in strike threat

Loyd Matare
STAFF WRITER

LEARNERS are likely to face disruptions to their already decimated school year after teachers — who are citing incapacitation due to low wages — threatened yesterday that they will only be attending classes once a week going forward.

This comes as teachers' unions have called upon the government to immediately review upwards their salaries, which they say have been seriously eroded by inflation.

It also comes after Public Service minister, Paul Mavima, accused foreign countries last week of funding teachers' unions to destabilise the government through regular salary strikes.

Face-to-face classes only resumed last week

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There is no growth or stability of fundamentals associated with either a sharp rise in goods prices or the unaffordability of local goods as reported by the newspaper cuttings. The same stability cannot be matched with threats of industrial action by teachers. Stability of fundamentals must not be for the sake of the 'fundamentals but the edification of the welfare of citizens. Whereas official economic statistics and policy projections are indicating 'stability and growth,' the reality on the ground is that of ever declining prospects for the majority of citizens.

The purported growth is not inclusive. Rather the economic system has become the chief means of transfer of wealth and economic power from the poor to dominant elites resulting in increased poverty and inequality. As an affirmation of exclusionary growth, the Governor of the RBZ even noted that Zimbabwe's growth outpaced that of regional partners but, "people should not confuse growth with poverty, what it simply means is that the growth is not yet inclusive" [1]

It is high time government promotes genuine stability and growth, pay living wages commensurate with the ruling 'true' inflation rates, adopt an inclusive forex market that extinguishes the negative exchange rate pass through manifesting as price hikes, adopt apt currency reforms that un-do price distortions, de-politicize economic policies and pursue objectivity and sincerity in reporting policy performance, and the pursue inclusive growth that promotes access to health, education and the eradication of poverty. Otherwise, growth that does not translate into the transformation of livelihoods of citizens is not only a misnomer but a propagation of inequality

4. FOREX LEAKAGES GOBBLING US$1.3 BILLION ANNUALLY

The Zimbabwe Anti-Corruption Commission (ZACC) revealed that about US$1.3 billion of foreign currency is being lost annually through illicit financial flows (IFFs) in Zimbabwe. The United Nations defines IFFs as all cross-border financial transfers which contravene national or international laws. This has become one of the biggest contributors to the country's continued economic downfall. For small economies like Zimbabwe, the addition of about US$1.3 billion in circulation in the monetary system per year could lead to low borrowing costs in the country which in turn increases investment, employment, and incomes. On the fiscal front, revenue generation from taxes will surge. Taxes are the biggest contributor to the national purse. Barring corruption, the more the government revenue is, the better service delivery will be.

The major area where IFFs are most common is in the mining sector particularly the gold sub-sector. Some of the gold mined in the country by artisanal or small-scale miners is not sold through the official market as it is being smuggled out of the country. Rampant corruption is fuelling these forex leakages as some of the culprits are using official points of entry like the airports[2]. Statistics from the Reserve Bank of Zimbabwe show that annual deliveries of gold to the state-controlled Fidelity Printers and Refiners (FPR) are riding in a southward direction. In 2018, an all-time high gold delivery of 33 tonnes was recorded before sliding to 27 tonnes and 19 tonnes in 2019 and 2020 respectively.

The decline in gold deliveries is largely attributed to low prices offered by FPR versus rising global prices thus fuelling smuggling. This harms the government's revenue generation efforts

1. Zim growth outpaces regional peers: RBZ | The Herald
2. https://zimfieldguide.com/midlands/rushwaya-gold-smuggling-case-exposes-microcosm-corruption-exists-zimbabwe-today

leading to a shortage of funds to finance critical social programs like building new as well as capacitating existing healthcare institutions and schools. Given the impact externalization of forex is having on the entire economy, the government should build strong mechanisms to detect and deter it. These include among others addressing existing legislation loopholes, parliamentary oversight, stiff penalties, paying a living wage to public officials, promotion of financial innovation, crushing the increased informalization of the economy, and capacitating institutions such as ZACC, RBZ, and ZIMRA.

5. MOVE TO RECAPITALIZE LAND BANK WELCOME

This week, the government announced plans to recapitalize the Agriculture Finance Corporation which is trading as the Land and Agriculture Development Bank of Zimbabwe (LADBZ). If realized, this is a commendable move as lack of financing is limiting the growth and development of the agriculture sector in Zimbabwe. The banking sector is largely constrained, by liquidity challenges to create loans and favourable financial instruments to stimulate economic productivity. For instance, in 2019, general revenue from user fees and commissions was the major source of income for banks yet typically loan interest should be the top revenue contributor.

Local banks are failing their mandate of credit creation in the economy. The interest rates charged are too high thus inhibiting borrowing to finance investment by both companies and individuals. The challenge has greatly affected the performance of the Agricultural sector, in which many small-scale farmers have no tangible assets to show as collateral. According to the Food and Agriculture Organization of the UN (FAO), agriculture is the mainstay of Zimbabwe's economy contributing approximately 17% to Zimbabwe's GDP. As the main source of livelihood for most of the population, the performance of agriculture is a key determinant of rural livelihood resilience and poverty levels.

The government is awarding 99-year leases to farmers, land titles that one can use as collateral security to access a loan. The financial dictionary defines collateral security as an asset which a borrower is required to deposit with or pledge to, a lender as a condition of obtaining a loan, which can be sold off if the loan is not repaid. However, in March 2021, mainstream media reported that banks rejected 99-year leases given to farmers by the government as collateral because in their current state, they are not bankable and all land belongs to the state.[3]

A bankable asset is an asset one can take to a bank because it is valuable and transferable, any bank will loan money against it as if it was collateral. Also, LADBZ, formerly Agribank could not serve the entire Agric sector, and the level of interest charged was exorbitant for most smallholder farmers. Consequently, the majority of smallholder farmers in Zimbabwe struggle to break from subsistence farming to more viable commercial agricultural projects. The subsidisation of agriculture through short term welfarist models such as the Presidential Input Scheme and the Command Agriculture consistently fail to meet the broader need for well-regulated agricultural value chains, infrastructural development and inclusive finance to stimulate agricultural growth amongst the majority smallholder farmers.

3. https://equityaxis.net/2021/03/23/commentary-banks-reject-99-year-leases-as-collateral-for-farmers/

One of the major causes of the failure of government subsidies is rampant corruption by public officials. For example, in 2019, about US$3.2 billion earmarked for Command Agriculture was looted.[4] Furthermore, the assumption by farmers that government will bail them out in the event of defaulting on their obligations has reduced the effectiveness of state support. Therefore, the capacitation of a government-owned Land Bank will go a long way in transforming the sector.

The expectations are that the interest rate charged will significantly decline thereby increasing borrowing for agriculture financing. Also, because banks operate under strong Know Your Customer (KYC) principles, the rate of non-performing loans will diminish. There is also a need for legislative changes coupled with moral suasion for banks to accept 99-year leases as collateral for farmers. Land audits intending to address multiple farm ownership or dismantle excessively large farms as well as constant farm performance appraisals to redistribute underutilized land will be key for the transformation of the Agric sector.

6. HIGH COURT RULES IN FAVOUR OF NGOS

On the 30th of July, Harare Provincial Development Coordinator Tafadzwa Muguti directed Non-Governmental Organisations (NGOs) and Faith-Based Organisations among others to seek operational clearance through his office, failure which would result in barring non-compliant NGOs from carrying on with their work. This comes after the government has labeled many NGOs as "regime change agents" that are influenced by the West. Muguti expressed that, "NGOs have been straying from mandates stated in their respective memoranda of understanding (MOU)". Following this, Muguti ordered all non-governmental organisations to seek clearance to operate from his office.

It is important that the way in which government operates is prescribed by law. Presiding officers or public administrators must act in terms of the powers that are allocated to them by enabling legislation. The Provincial Development Coordinator's decision to ban some NGOs was not in accordance with any existing law. As a result, the Zimbabwe Human Rights NGO Forum and Crisis in Zimbabwe Coalition Trust filed an urgent chamber application on 3 August 2021 which described the directive as unconstitutional.

In its ruling, the High Court nullified the decision of the Provincial Development Coordinator and held that the applicants (Zimbabwe Human Rights NGO Forum and Crisis in Zimbabwe Coalition Trust) had made out a prima facie case establishing that their constitutional rights had been violated by the directive. The High Court ordered Muguti to stop interfering with, suspending or stopping operations of NGOs, Trusts, CSOs and Faith-Based organisations as there was "reasonable apprehension of harm in that the operations of NGOs will be disrupted or stopped" as per Muguti's press statement.

4. https://www.newsday.co.zw/2019/08/govt-officials-roasted-over-us32bn-command-agric-loot/

Currently the entire country has been ravaged by electricity blackouts, with the Zimbabwe Electricity Transmission and Distribution Company (ZETDC) which is ZESA Holdings` power distribution subsidiary announcing that the country was not generating enough electricity. To this end, it would embark on a load-shedding regime like the one it once initiated in 2018. A timetable with a 12 hours loadshedding schedule was released. According to ZETDC, poor electricity generation at Hwange Power Station, Kariba dam wall rehabilitation and limited electricity imports are some of the complex and complementing dynamics that are intersecting to militate against optimum electricity generation and distribution.

It is it imperative to note that, for the smooth flow of the dam wall recuperation process two generators must be switched off for approximately twelve hours[5] . This exacerbates the electricity crisis in the country as ZESA is already failing to meet the national electricity demand. ZESA generates 1186 megawatts against a national demand of 2000 megawatts. Thus, any form of electrical challenge ushers the nation into a crisis as majority of businesses are still recovering from the inimical effects of COVID-19. The informal sector is the hardest hit in all this as they are the ones who were heavily exposed to the effects of COVID-19. Many informal economy businesses were closed as majority of them are not registered and to operate at some point during the lockdowns required one to produce business license.

According to the National Development Strategy 1 by 2021, Zimbabwe would have improved in electricity generation however, this is not the case as Zimbabwe is currently in talks with Zambia and Mozambique to import electricity[6] . While ZESA`s incapacitation is not to be celebrated, government`s attempts to initiate talks with Zambia and Mozambique is commendable as it is a departure from the traditional inaction approach which the government used to take on in times such as this. Nevertheless, the government should not take pride in the importation of electricity while Zimbabwe has untapped reserves of electricity generation.

As the world focuses attention on the climate crisis, it is a good moment for Zimbabwe to start moving towards sustainable energy generation both for household and industrial use. Zimbabwe has good sunlight which makes it a perfect candidate of solar energy. Second, she can adopt the windmill technology. Finally, the government should plug out all corrupt activities in the energy sector and facilitate closure of cases such as Intratrek Zimbabwe Private Limited's inability to deliver on the 100 megawatts Gwanda Solar Project it was paid for in 2016.

5. Industry on the ropes as blackouts intensify - NewsDay Zimbabwe
6. Zim seeks more power from Moza, Zambia | The Herald

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