WEEKLY REVIEW

28 SEPTEMBER 2021

ZIMCODD
ZIMBABWE COALITION ON DEBT & DEVELOPMENT

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WEEKLY DASHBOARD

FOREX AUCTION WEIGHTED RATE

WEEK	14.09.2021	21.09.2021
RATES PER US$1	ZWL86.3010	ZWL86.9267

CONSUMER PRICE INDEX

MONTH	AUGUST	SEPTEMBER
	3, 191.05	3,342.02
BLENDED	123.21	125.60

YEAR ON YEAR INFLATION:

MONTH	AUGUST	SEPTEMBER
%	50.24%	51.55%

COVID-19 CASES

WEEK	20.09.2021	27.09.2021
POSITIVE	128 186	129 919
RECOVERED	121 098	122 446
DEATHS	4 569	4 607

NATIONAL RECOVERY RATE

WEEK	(20.09.21)	(27.09.21)
	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. 75

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.

TOTALS

PLEDGES	HONOURED PLEDGES	AMOUNT SPENT
US$906, 457,157	US$673,874,503	US$603,405,028

THIS WEEK FOR THE WEEK ENDING: 24 SEPTEMBER 2021

PLEDGES	HONOURED PLEDGES	AMOUNT SPENT
US$-	US$-	US$ -

DOWNLOAD FULL TRACKER

HERE

www.zimcodd.org/?smd_process_download=1&download_id=4595

2. A BRIEF LOOK AT HOW GOVERNMENT INTENDS TO USE THE SPECIAL DRAWING RIGHTS

The Pandemic and the Economy: Business Recovery Support Initiatives — Fiscal Interventions and Perspectives presentation by the Minister of Finance and Economic Development Mthuli Ncube on the 22nd of September gave special attention to Government's plans to utilise the Special Drawing Rights (SDRs). Government`s intention and spending priority of the SDRs which emanates from a "developed detailed plan" prioritizes 4 key areas namely; i. Social sectors; 2. Agriculture; 3. Industry; 4. Infrastructure development.

1. Social Sector

On the social sector, the Government is prioritising the health sector focusing specifically on supporting COVID-19 vaccination programme, construction of health infrastructure in marginalised communities and support for health consumables and equipment. The education sector will also be catered for through the construction of infrastructure in margnalised regions and improvement of education quality through strengthening skills and development. Finally productive social safety nets will also be given priority through community-based development programmes such as food for work.

Government should be given credit for prioritising the social sector given the dire poverty and inequality crisis affecting millions of Zimbabweans particularly women and children. Viewed from the prism of social and economic justice, Government can and must spend more on Zimbabweans beginning with a wholesale reversal of austerity measures, replenishing of

cut public services and civil servants and reduction of the disproportionate tax burden on ordinary citizens.
Addressing and ultimately reversing the COVID-19 pandemic assumes the existence of a robust and well-endowed health sector. However, the COVID-19 pandemic has painfully exposed the vast inadequacies of the Zimbabwean health sector to cope with pandemics and emergency situations. At the root of this problem is the perennial underfunding of the health sector with the Government failing every year to meet the 15% health expenditure target outlined in the Abuja declaration. Nurses currently earn approximately ZWL 27 000 to ZWL 32 000 which is below the poverty datum line for a family. Zimbabwe only has 134 functioning ambulances[1] for 15, 062,998 population as of 22 August 2021[2] . This means that each ambulance will need to serve approximately 112,411 people. Addressing the multi-faceted challenges in the health sector must therefore be aided by the broader vision of achieving the constitutional ambition of ensuring universal access to health for all. This can only be achieved if Government decants from its tendency towards the privatisation and underfunding of the health sector and reverts back to earlier policy commitments to achieving an inclusive health care system anchored on a robust primary health care system with a public healthcare facility in every 5km radius.

2. Agriculture
The Minister noted that the Government intended to use the SDR allocation for agriculture stimulation and this will be done by establishing an export revolving fund aimed at growing diversity in the agriculture sector. The SDR fund will prioritise export oriented high value agro-chains including floriculture, blueberries; and macadamia. Support will also be channeled towards small holder farmer irrigation schemes to strengthen food security and nutrition of the country.

It is imperative for the Government to address the inequality gap in the agriculture sector, in aspects such as inequitable access to finance, high value markets, technological transfers and extension support. Capitalisation of the Land Bank and improved access to productive capital for smallholder farmers is one of the longstanding asks for smallholder farmers seeking to transcend from subsistence to sustainable agro-production capable of guaranteeing food and nutrition security for most rural households.

3. Industry
The Minister outlined measures to retool and reinvigorate the Zimbabwean industry as a way of attaining competitive advantage against regional and international peers. To this end, the Government targets cotton value addition, leather processing, pharmaceuticals and agro-processing. Zimbabwe is in the top ten of African countries that produces cotton in Africa[3] and adding value to the cotton industry will help boost the country's exports and revenue. Zimbabwe used to have a competitive leather industry but lost the grip after established manufacturing companies collapsed due to adverse macro-economic factors. The resilient few companies in the sector and scores of skilled workers who had lost jobs when their firms closed, have been keeping the leather industry alive, with more producers and greater potential now anchored within thriving local micro-small to medium enterprises (MSMEs). Therefore, the resuscitation of the leather industry will be vital for economic growth and stability as it will help unlock the untapped potential in the informal sector. This will be reinforced by Zimbabwe`s strategic livestock base which gives it competitive advantage.

1. www.sundaymail.co.zw/govt-uys-100-ambulances
2. www.wolrdometers.info/wolrd-population/Zimbabwe-population/
3. Zim in top 10 on cotton output | The Herald

4. Infrastructure Development
Infrastructural gaps contribute in large part to Zimbabwe's failure to attract Foreign Direct Investment. Public sector led Infrastructural growth can contribute to economic growth, job creation and social development through much needed State-led construction of roads, social amenities and public housing. However, Government's infrastructure development priorities appear to privilege the achievement of economic growth targets and the 12-billion-dollar mining vision at the expense of the prevailing crises in housing and social service delivery capacity.

Big road projects, the mainstay of infrastructure projects have been fraught with endemic corruption and resource leakages prejudicing the public of millions in dollars and lots more in lost development opportunities. The Kazungula bridge project costing approximately US$ 259.3 million and the Beitbridge Border Post costing US$ 300 million are illustrative of the high-cost marginal social return dynamic of Government's infrastructure development priorities. The Government should balance infrastructure spending to accommodate high social impact projects such as low-cost social housing to reduce social and economic inequalities in the housing sector and allows citizens to have access to decent accommodation.

3. NDS 1 AND BUSINESS RECOVERY INITIATIVES: THE ROLE OF SIA

The Minister of Finance and Economic Development announced several COVID-19 related fiscal interventions/incentives for businesses during his presentation to the International Business Conference at the Zimbabwe International Trade Fair (ZITF). According to the Minister, fiscal incentives are meant to scale investment and productivity given COVID-19 challenges facing the economy.

For companies operating in Special Economic Zones (SEZ)[4], the Minister announced several tax incentives including Special Initial Allowance (SIA) pronounced at 50% of cost in the first year and 25% for two consecutive years. SIA is a tax allowance sanctioning a corporate to write off the cost of an asset over three years. Effectively, capital expenditure on plant and machinery requisite in 'moving the economy up the value chain'[5] can be claimed by corporates operating in SEZs.

Structural Transformation linked to NDS 1 Priority Area number 3 (moving the economy up the value chain) requires green investment in value addition to scale exports, contribute to GDP, and increase capacity utilization, within the manufacturing sector and agro-processing. It will also boost mineral beneficiation through the establishment of beneficiation plants with respect to minerals such as chrome and platinum. Accordingly, the SIA tax incentive reduces tax liability to investors. It has no restriction on the allowable amount of investment with the intention to attract large investments and improve corporate's cashflows given the 'repayment' of taxes.

ZIMCODD has consistently cautioned against the granting of tax incentives, mindful of the principle that those with the broadest shoulders must shoulder the responsibility to contribute more to the public purse through just and equitable taxes. Tax incentives go against this principle by benefitting shareholders and investors at the expense of both the public purse

4. Special Economic Zones are areas in a country that subject to different economic regulations for the sake of attracting foreign direct investment. Special Economic Zones are guide by the Zimbabwe Investment and Development Agency Act (chapter 14.37)
5. An NDS 1 Priority Area directed at structural transformation.

and local economic actors operating outside of Special Economic Zones. Greater democratic debate around the costs and benefits of SIA. Further statutory backing in clarifying SIA entitlement conditions and the form or type of assets' acquisition supported by SIA is critical to safeguard the public purse against potential prejudice. Increased Parliamentary monitoring and oversight of the SIA will be crucial to guarantee public expectations of increased job prospects and economic productivity amongst SIA beneficiary entities. The extension of similar fiscal incentives to boost the informal sector in which the majority of Zimbabweans subsist and earn their livelihoods is long cherished to increase equitability and shared benefit for all in the Zimbabwean economy

4. SHRINKING HOUSEHOLD BUDGETS AND INCOMES A CAUSE FOR CONCERN

The latest annual inflation rate statistics released by the Zimbabwe National Statistics Agency (ZimStat) indicate that commodity prices have increased by 51.55% in September. In August 2021 the figure stood at 50.24%. The Ministry of Finance and Economic Development together with the Reserve Bank of Zimbabwe targeted annual inflation rate is between 22%-35%.

On a month-on-month basis, prices of basic commodities have increased by 4.73% in September, after they leaped by 4.22% in August. This is showing rising inflationary pressures in the economy with devastating welfare impacts on citizens especially the majority poor who are earning in the fragile local currency. Rising costs of basic goods and services such as rentals, health and education threaten to lock many vulnerable Zimbabweans into cycles of poverty and domestic debts from which they may never recover.

When prices increase, the purchasing power of money decreases thereby shrinking households' budgets and incomes. This month, schools and tertiary institutions were re-opened by the Government and we saw tuition fees nearly doubling. By allowing these public learning institutions to hike tuition fees, the Government is merely admitting that the price stability mantra that is being spoken about by public officials is at loggerheads with realities. The irony is that, despite the rising cost of living, wages and salaries remain largely constant. For instance, a B1 grade civil servant is earning ZW$20,578, an amount which is now worth US$236 using the interbank rate and US$129 using the parallel market exchange rate.

CIVIL SERVANT SALARY ADJUSTMENT WITH EFFECT FROM 1 JULY 2021

Grade	New Salary	Restoration at Inter Bank Rate-84.40	Deficit to USD $540
B1	20,578.00	243.82	(296.18)
D1	28,666.00	339.64	(200.36)
D3	28,709.00	340.15	(199.85)
E2	32,446.00	384.43	(155.57)
E3	32,955.00	390.46	(149.54)
E5	43,699.00	517.76	(22.24)

Available statistics from the Consumer Council of Zimbabwe released early this month show that a low-income urban household (family) of 6 required about ZW$41,236 to sustain its monetary needs with groceries alone gobbling about ZW$16,800 as of the end of August 2021. This shows that the majority of citizens are earning below the poverty datum line (PDL) hence are deemed to be poor.

The World Bank's economic and social update report released this year showed that almost half of the population fell into extreme poverty between 2011 and 2020, with children bearing the brunt of the misery. The Bank expects these numbers of those in extreme poverty to remain the same this year. This is amplified by the continued increase in general prices as well as vanishing social safety nets which are forcing households to turn to unpleasant coping strategies.

The economy is 60% informalized, of which the sector was significantly shattered by the pandemic and is yet to meaningfully recover. The importance of the informal sector to citizens cannot be overemphasized because every 6 people in a group of 10 are eking out an existence in this sector thus working hard for every bit of money. It is high time now for the Government to quickly reverse austerity measures and increase public investment in social security and public service delivery to cushion the vulnerable from inflationary pressures.

5. THE ZW$ EXCHANGE RATE NEEDING URGENT ATTENTION.

The local currency continues to depreciate against the US dollar in the parallel (alternative) market. Currently, US$1 is trading at an average of between ZW$140 – ZW$160 in the black market, versus the official rate of US$1 – ZW$86.93. This gives a parallel market premium –the percentage difference between parallel and official rate of up to 86%. In other words, US$1 is costing 86% more in the black market than it is in the official market. Exactly 2 months ago, in July, US$1 was trading at about ZW$120 (ZW$85.64) in the black (official) market. As such, the local currency has depreciated by a staggering 25% on the parallel.

A currency is generally viewed as stable if the existing parallel market premiums do not exceed 20%. Therefore, if one goes by this widely accepted threshold, then it means that there is still a long way for the Zimbabwe dollar to charter a stable territory.

Elevated liquidity growth in the economy contributes to the increased depreciation of the local currency. For instance, the latest weekly statistics released by RBZ show reserve money supply for the week ending September 17 standing at ZWL$28.2 billion, a 0.86% increase from ZWL$27.96 billion realized in the prior week ending September 10. Reserve money is the base level of money supply in the economy comprising of currency and commercial banks deposits at the central bank. Excessive exchange rate depreciation significantly wipes the value of a currency and has severe repercussions on the entire economy. This has become the major driver of the prices of basic goods in Zimbabwe. Businesses are benchmarking their local prices with parallel rates.

The situation is further complicated by the fact that Zimbabwe is a net importer hence the increased demand for foreign currency. This is evidenced by the existence of a huge forex backlog, reported at US$200 million, being faced by the central bank. However, in the week under review, the Government reportedly availed US$70 million to help clear this backlog. A significant reduction of the current backlog may help to reduce forex demand in the alternative markets as well as clamp arbitrage activities. Be that as it may, there is a great need by the monetary authority to fine-tune its auction system. Having an exchange rate determination mechanism reflecting market fundamentals as well as curbing excessive liquidity growth may sustain the value of a currency.

This will save the country tens of millions in foreign currency being used to subsidize an inefficient system – evidenced by the widening parallel premiums. The amounts would then be used to fund crucial development programs like mass transit infrastructure, delivery of quality social services such as health, education, housing, safe & clean water, and accumulation of reserves. The saved forex will also provide significant social safety nets that cover almost all vulnerable members such as giving conditional cash transfers, food-based programs, labour-intensive public works, and assistance to access basic services like school fees. A stable currency is indispensable for price stability, employment growth, rising incomes, and falling poverty rates.

6. CRISIS IN SCHOOLS AS COVID-19 CASES INCREASE

Schools have since re-opened for physical learning; however, it remains to be seen how Government will respond to the needs of the education sector as more and more schools are reporting an increase in COVID-19 statistics among teachers and learners. Despite the spike in COVID-19 cases in schools, Government maintains that the situation is under control and in a post Cabinet briefing, Information Minister, Monica Mutsvangwa, expressed that Government would not close schools as the numbers of positive COVID-19 cases were not alarming.

Due to the COVID-19 pandemic, an entire global generation has had their education disrupted. The longer children are out of school, the greater the risk that they do not return. School closure will have negative impacts on many learners as many children lack access to the internet, which is increasingly indispensable for education. Online lessons during the pandemic proved vital in the continuation of education. Children living in rural areas have little to no 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. Widespread school closures run the risk of increasing child marriages and dropouts due to pregnancy.

Government should increase the education budget and ensure public education systems are adequately resourced, to ensure they can adequately respond to existing and emerging needs. Achieving inclusive education and ensuring that no child is left behind in this context of pandemic threat, requires that all schools have access to water and sanitation, sufficient numbers of adequately trained teachers as well as healthcare workers who can respond to medical emergencies and appropriate, accessible school infrastructure to prevent overcrowding by increasing funding towards the education sector. These resources for inclusive education must cover distance learning programmes that reach the most marginalised children should schools be forced to close again. Currently, Zimbabwe has extended its vaccination program to children 14 years and older. However, the Ministry of Education should work together with the Ministry of Health to educate learners on the vaccines available in Zimbabwe, their benefits, potential side effects and efficacy, so that learners, in consultation with their parents, make an informed decision should they wish to be vaccinated.

7. GEOPOLITICS DILEMMA: UNPACKING THE MUTOKO MINING

Resource based conflicts pitying host communities and foreign nationals have intensified amidst growing concerns that the welfare of local people as well as the voices of the citizens no longer matter in natural resource governance and decision making. This can be evidenced by the Mutoko mining saga in which a Chinese mining company Heijin[6] reportedly asked Chief Nyajina to look for alternative land for his subject as he did not have title deeds to his ancestral land. Heijin intends to remove the villagers from their inherited and ancestral land because they have no title deeds and are connected to powerful people in the highest office the Newsday reported.[7]

There is an analogy to the biblically narrative about Naboth`s vineyard. Naboth refused to sell his vineyard to King Ahab because it was an inheritance.[8] Traditionally, chiefs are the custodian of tradition and they are not to sell ancestral land and the Government knows this. However, the Government might be in a dilemma on whether to honour its opaque agreement with the foreign company or protect the welfare of the citizens. The Government of Zimbabwe has previously engaged in opaque mega-deals with the Chinese that have been swept under the radar of Parliamentary oversight and public scrutiny.

As the exploitation of black granite subsists in Mutoko there have been negligible social and economic benefit to local communities even whilst extractive activities are leaving a trail of environmental damage and social strife. As the intersection between the communal landownership tenure system and extractive sector becomes increasingly prone to conflict there is need to reinforce communal landownership and empower Chiefs and Headmen to play their role as custodians of communal lands.

8. LOCAL AUTHORITIES NEED TO BE CAPACITATED

ZIMCODD in conjunction with AFRODAD held its third Annual Multi-Stakeholder Debt Conference from the 22nd to 24th of September 2021. The Debt Conference was well attended by Members of Parliament (MPs), the Clergy, Academia, independent consultants, public officials representing the Government particularly the Ministry of Finance and Economic Development, Local Authorities (city councils), the RBZ, Zimbabwe Revenue Authority (ZIMRA), CSOs and SEJAs representing the general public.

The Conference paid special attention to issues affecting infrastructure development, technological advancement, innovation, and social service delivery by Local Authorities. It

6. A Chinese mining company operating in Mutoko
7. Villagers don't have title to communal land: Chinese miners – NewsDay Zimbabwe
8. 1 Kings 21:1–16

was established that although Local Authorities play a greater role in promoting sustainable economic growth and development (maintaining water & sanitation infrastructure, housing, waste disposal, road rehabilitations, public lighting), on average, the Government has spent a nadir 1.8% between 2010 and 2018 on Local Authorities development budget. This falls foul to a target of 25% as was stipulated in the TSP.

Further, between 1990 and 2019, resources for financing Local Authority programs through the national budget have rarely exceeded 1% of the total budget. Implying that Local Authorities must be self-financing to meet their infrastructure requirements. Nevertheless, most city councils are trapped in debt which is inhibiting their ability to internally mobilize resources to fund their operations. As a result, the state of infrastructure & service delivery in Local Authorities is now very poor as evidenced by the delivery of sewer-infested water, poor street lighting, local roads characterized by growing potholes as well as the establishment of garbage dumpsites in residential areas.

There is widening incongruity between supply and demand of investment in urban infrastructure due to institutional, governance failures, mismanagement, non-production of audited financial statements, and price distortions in the wider economy. Because of the high incidences of corruption and bribes, it is recommended that the Government should promote transparency and accountability and strengthen the legal frameworks governing key public finance management aspects especially borrowing, tendering and procurement.

Also, when borrowing, three things must take precedence over all other considerations: i. the quality of the investment, ii. its feasibility relative to local economic circumstances, and iii. its appropriateness for the locality's needs and possibilities. Again, the Government should increase inter-Governmental fiscal transfers (devolution funds) to boost the Local Authorities' revenue base as opposed to the current position where the Harare Province budget disproportionately dwarfs all other provincial centers. Last but not least, the political environment must be less toxic to foster confidence, trust, and a predictable policy environment for infrastructural investors to come on board and partner with Local Authorities.

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