WEEKLY REVIEW

05 OCTOBER 2021

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ZIMCODD
ZIMBABWE COALITION ON DEBT & DEVELOPMENT

WEEKLY DASHBOARD

FOREX AUCTION WEIGHTED RATE

WEEK	21.09.2021	28.09.2021
RATES PER US$1	ZWL86.9267	ZWL87.6653

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	27.09.2021	03.10.2021
POSITIVE	129 919	131 129
RECOVERED	122 446	123 787
DEATHS	4 607	4 627

NATIONAL RECOVERY RATE

WEEK	(27.09.21)	(03.10. 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: 17 SEPTEMBER

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

DOWNLOAD FULL TRACKER

HERE

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

2. DEBT WATCH: LACK OF DEBT TRANSPARENCY, LESSONS FROM ZAMBIA

Africa is a mineral-rich continent, while China is a top global mineral commodity consumer and importer. Subsequently, China has become the continent's largest creditor, committing about US$153 billion to African public sector borrowers between 2000 and 2019. As part of this thrust, China is providing Resource Backed Loans (RBLs) to the continent. RBLs enable debtor countries access to strategic resources in exchange for debt liquidity. The Government of Zimbabwe given its frosty relationship with Western multilateral lenders has readily accepted RBLs to compensate for challenges in accessing liquidity support from the global market.

However, the danger with RBLs is that defaults in loan obligations may lead to the take-over of the country's strategic assets on prejudicial terms. Ultimately, RBLs come at the expense of inclusive economic growth by taking away the onus to deploy national resources for national benefit and placing it in the hands of foreign entities with a priority focus on profit and capital flight as opposed to long-term investments and creating the base for shared growth. They also weaken the role of Parliament and oversight bodies to ensure transparency and accountability in the use of national resources whilst yielding power over national resource utilisation to unelected foreign powers and capital interests.

According to an analysis of Zambia's loan data done by the China Africa Research Initiative (CARI), the copper-rich nation's debt to the Chinese government and private lenders was US$6.6 billion. This figure is almost double what is officially disclosed. The previous administration of former president Edgar Lungu reported Zambia's debt to China at US$3.4 billion. However, CARI's findings augur well with the comments made by the current President Hakainde Hichilema, that the public debt load is likely to be higher. In November 2020, Zambia became the first African country to default on its sovereign debt in the COVID-19 pandemic era. The talks for debt restructuring are becoming complicated as its Western creditors demand full disclosure of the country's full debt load, however many Chinese loans typically carry non-disclosure agreements.

The finding by CARI in Zambia depict a number of worrisome accountability deficits within Chinese 'debt diplomacy.' Several Governments in the SADC region have signed and continue to contract a series of megadeals with the Chinese government and Chinese private companies. A number of these deals are shrouded in secrecy due to non-disclosure contract terms.

An independent and comprehensive national debt audit is a longstanding call amongst progressive forces including ZIMCODD, labour, churches and market players especially those in the debt vulnerable and marginalised sectors of Zimbabwe's economy. The National Debt Audit is vital now, to inform citizens about the scale and nature of the public debt, loan contraction processes, terms of contracted debt, and how the loan funds are expended. It is also a critical building block to inform public discourse on the legitimacy of certain debts such as the US$700 million pre-independence debt and whether they should be settled.

The Government's current vision to achieve middle income status by 2030 Vision remains heavily dependent on borrowing and attracting Foreign Direct Investment at the expense of democratically formulating inclusive domestic resource mobilization strategies. These may include among others; ensuring that everyone pays their fair share in taxes, value addition and beneficiation of minerals, and building a culture of transparency and accountability through alignment of existing PFM statutes to the Constitution, capacitation of all accountability institutions, and rigorous implementation of the Office of the Auditor General (OAG) recommendations. These recommendations seek to pluck graft, abuse, and misappropriation of public resources.

3. THE 2022 NATIONAL BUDGET SHOULD FOCUS ON POVERTY REDUCTION

In the week under review, the Zimbabwe National Statistics Agency (ZimStat) released poverty statistics for September 2021. The statistics revealed that the Food Poverty Line (FPL) per person per month stood at ZW$4,734.33 in September 2021, an uptick of 4.82% from ZW$4,516.52 realized in the preceding month (August 2021). According to ZimStat, the FPL measures the amount of money that an individual will require to afford the minimum required daily energy intake of 2,100 calories. Using the average household size of 6, a family needed to spend at least ZW$28,405.98 on food alone per month to be considered food secure. Further, statistics showed that the Total Consumption Poverty Line (TCPL) stood at ZW$6,653.65 per person, up from ZW$6,350.29 in August 2021.

This means that an individual required that much to purchase both non-food and food items as of September 2021 in order not to be deemed poor. As a result, an average household of 6 now requires nearly ZW$40,000 to meet their monthly expenses (food and non-food essentials) up from ZW$37,165 recorded last month.

The increase in Poverty Datum Line (PDL) in Zimbabwe is in line with the perpetual depreciation of the local currency and the subsequent surge in the cost of living (inflation). Many Zimbabweans including civil servants are earning an average salary of ZW$17,000 per month which is way below the PDL. Hence, the majority of the population is living in extreme poverty as amplified by the World Bank's economic and social update report released this year. The report showed that almost half of the population fell into extreme poverty between 2011 and 2020 and expects the status quo to hold in 2021 as prices continue spiking and the recovery of jobs and salaries remains slow due to the COVID-19 pandemic raging havoc.

The situation is dire in urban areas as the Zimbabwe Vulnerability Assessment Committee reported that almost 83% of urban dwellers are struggling to purchase food and are unable to buy basic commodities like cooking oil, salt, sugar, and mealie meal. This is so because the majority of citizens are eking out an existence in the informal sector. Though the informal sector is now recovering as lockdown measures are gradually getting relaxed, many small informal businesses that were shattered by the pandemic will take a long time to come back to life.

While commending the efforts of development partners, like the European Union (EU), the EU has announced that it will pay about US$12 in monthly cash payments to vulnerable urbanites struggling to make ends meet, there is urgent need for comprehensive social safety nets in the forthcoming 2022 National Budget. Comprehensive and gender inclusive social safety nets are vital to reduce the widening poverty and existing social inequalities. Over the years, the commitment by the government towards the social environment has been shrinking due to severe austerity measures and cutbacks to Government service delivery capacity. Feedback from ongoing 2022 National Budget consultations indicate a broad consensus for the reversal of austerity and implementation of ambitious social safety nets in the context of the COVID-19 pandemic. Popular measures for citizens include Universal Basic Income Grants and broader stimulus measures to increase the productivity of the informal and agricultural sectors where most Zimbabweans earn their livelihoods.

4. TREASURY CONSIDERS ADJUSTING TAX BANDS TO CUSHION WORKERS

Government's acknowledgement of the negative effects of the inflationary parallel foreign exchange market on the welfare of the generality of Zimbabweans is highly welcome. According to the Herald of 29 September 2021, 'Treasury is considering adjusting tax bands to cushion workers. Whereas the proposed adjustments to the minimum taxable income and the electronic transaction cost are welcome, they remain ill-timed as aggregate demand has been long suffocated and the Minister failed to introduce such measures during the Mid-Term Budget and Economic Review. The failure to enact fiscal interventions earlier to increase the disposable income has seen almost 50% of Zimbabweans falling into extreme poverty. Whilst the Minister acknowledges the need to make the said tax adjustments, the changes are still to be made when the 2022 national budget is gazetted. This protracts the suffering of Zimbabweans as the new budget might come into effect in January, 2022

5. TREASURY CONSIDERS ADJUSTING TAX BANDS TO CUSHION WORKERS

During the Mid Term Budget and Economic Review, the Minister applauded the stability of the Foreign Exchange Auction System whilst also acknowledging some of its inconsistencies is a sign of poor interpretation of the economic developments on the ground. Whereas the Auction Market remains government's preferred forex market, its failure to accommodate all economic agents and individuals has sustained the parallel market leading to price distortions in the economy. That the USD is the most preferred currency is an unforgiving reality with clear winners and losers.

Even the government charges for some public services in USD. Basic goods and services which make up the bulk of household expenditures like school fees, transport, rentals, groceries and fuel are subjected to inflationary pressures in USD. Most households can only access the USD from the parallel market. The parallel market rate has thus become the 'market clearing rate' for sellers and buyers of the USD without any regulation and measures to protect the transacting public. Resultantly, Zimbabwean households are the biggest losers with many households falling into spiraling household debt, asset losses and lowered standards of living Robust currency and forex market reforms are urgently required to make the foreign currency market work for Zimbabwean households and the informal sector where the majority subsists

6. UNPACKING DEVOLUTION IN ZIMBABWE

Devolution resource allocation is critical to ensure the redistribution of centralized resources from Harare to ensure equitable development and long-term investment in the other Provinces. According to the 2022 Budget Strategy Paper, the Government intends to spend ZWL 26.7 billion[1] towards devolution. By way of contrast the Bulawayo City Council`s 2022 Budget is projected at ZWL24.7 billion . This reflects either unavailability of sufficient resources to implement devolution or Government`s unwillingness to implement the same. Thus, the projected 26.7 billion devolution funds is inadequate and will not do justice to the needs and demands of citizens especially given that there is already a huge backlog of infrastructure, facilities and general amenities.

Zimbabwe has approximately 56 districts with two local authorities operating in each District either as Town Council or Rural Council. All these Districts are facing pressing needs which need urgent redress. The situation has been exacerbated by the unstable socio-politico-economic climate in Zimbabwe sustained by a pseudo stable currency exchange rate.

Despite Government`s proclamation that devolution is one of its key priorities, the inequitable allocation and inefficient distribution of budget resources to devolved centers impedes against the same. This is mainly propelled by political interventionism. Local Urban Authorities are predominantly led by the opposition parties while the provincial, rural and central governments are led by the ruling party[2] . To this end, there is incessant dissonance over the development agenda and this has stalled development.

1. BCC projects $24,7bn budget for 2022 – NewsDay Zimbabwe
2. Moyo P and Ncube C. 2014. Devolution of Power in Zimbabwe's New Constitutional Order: Opportunities and Potential Constraints. Cape Town.

Devolution is established by a plethora of policies and legislative pieces. These include the: Constitution of Zimbabwe (2013), Provincial Councils and Administration Act (29:11), Urban Councils Act (29:15), Rural District Councils Act (29:13), 2021 National Budget Statement, 2022 Budget Strategy Paper, National Development Strategy 1 (NDS1) (2021-2025) and Devolution and Decentralisation Policy. Despite such sounding and glamorous devolution policies and legislations, beneath them are conflicting clauses that promotes excessive interventionism from the central government.

The lack of clarity on the points of convergence and divergence between the powers of the three tiers of government attests to this. The enabling legislation in Zimbabwe, particularly the Urban and Rural District Councils Acts, accords excessive powers to the Minister responsible for Local Government[3] . This distorts the entire purpose and objectives of devolution which are [4]:

a. to give powers of local governance to the people and enhance their participation in the exercise of the powers of the State and in making decisions affecting them;
b. to promote democratic, effective, transparent, accountable and coherent government in Zimbabwe as a whole;
c. to preserve and foster the peace, national unity and indivisibility in Zimbabwe;
d. to recognise the right of communities to manage their own affairs and further their development;
e. to ensure equitable sharing of national and local resources; and
f. to transfer responsibilities and resources from the national government in order to establish a sound financial base for each provincial and metropolitan council and local authority.

The politics of public resource management has also chocked devolution efforts as evidenced by Mutoko, where the local people are not benefitting from the granite that is being mined in their communities. The same can be said of Chiadzwa, Zvishavane and Penhalonga. The politics of public resource management is not limited to mineral rich communities only, as attested by how Government interfered in the Tongaat Hullets Kilimanjoro project, by trying to influence the beneficiary list at the expense of local people. Thus, for the attainment of devolution, the Government should increase the 2022 devolution allocation, limit government interference in the operation of Local Authorities, ensure that Local Authorities are empowered to determine mining concessions in their jurisdictions, remit 5% of the proceeds generated back to communities, and speed up the devolution process as provided for in the Constitution.

7. FREEDOM OF EXPRESSION AND ACCESS TO INFORMATION

The gagging of critical voices calling for transparency and accountability or those criticizing the government has greatly affected digital rights in Zimbabwe. Efforts to combat misinformation and disinformation have a direct effect on the enjoyment of the rights to freedom of expression and information. In previous instances Government has previously suspended internet access and blocked access to social media platforms. This has happened most often during times of political turmoil such as protests and elections such as the January 2019 protests and the July 2020 protests, ahead of the much-anticipated July 31st march. As digital repression intensifies and expands to more countries, users understandably lack

3. Mushamba, S. 2010. The Powers and Functions of Local Government in Zimbabwe.
4. Section 264 (2) of the Constitution outlines the specific goals and objectives of devolution in Zimbabwe.

confidence that Government initiatives to regulate the internet will lead to greater protection of their rights.

Zimbabwe has five international gateways for internet traffic, controlled by State-owned TelOne and Powertel and privately owned Dandemutande, Econet and Africom[5]. The State controls two of the country's gateways and this gives the Government the ability to restrict access to the internet and mobile networks[6]. The infringement on individual privacy through internet monitoring has been aggravated by the absence of strong or recommended data protection safeguards.

The COVID-19 pandemic has illuminated the significance of technology in the lives of individuals and communities, it has also brought to the fore the glaring digital divide in the country, and has deepened the digital exclusion. Several individuals including persons with disabilities have been locked out of active participation in the digital society, with the exclusion being manifested in accessing education, remote work, and participating in democratic processes, among others. High internet costs continue to deepen this divide.

Governments, their agencies and authorities should drop all regressive measures that curtail digital rights and freedoms and instead adopt and undertake measures that promote the protection and enjoyment of digital rights and freedoms. Civil Society Organisations, telecommunication companies, and other stakeholders are therefore called upon to work jointly towards ensuring democratic conditions for all Zimbabweans to realise and enjoy their rights and freedoms in the digital space without fear or repression.

5. https://freedomhouse.org/report/freedom-net/2021/global-drive-control-big-tech
6. https://freedomhouse.org/report/freedom-net/2021/global-drive-control-big-tech

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zimcodd1 Zimcodd @zimcodd1

www.zimcodd.org

Tel/Fax:
+263-4-776830