WEEKLY REVIEW

07 DECEMBER 2021

WEEKLY DASHBOARD

FOREX AUCTION WEIGHTED RATE

WEEK	23.11.2021	30.11.2021
RATES PER US$1	ZWL105.6684	ZWL105. 6896

CONSUMER PRICE INDEX

MONTH	OCTOBER	NOVEMBER
	3,555.90	2,374.24
BLENDED	104.67	131.64

INFLATION:

MONTH	OCTOBER	NOVEMBER
M.O.M.	6.4%	5.76%
Y.O.Y.	54.49%	58.40%

COVID-19 CASES

WEEK	29.11.2021	05.11.2021
POSITIVE	134 226	139 046
RECOVERED	128 703	128 868
DEATHS	4 706	4 710

NATIONAL RECOVERY RATE

WEEK	(29.11.21)	(05.12. 21)
	96%	93%

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. 81

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.

CLICK DOWNLOAD TO GET THE FULL TRACKER

DOWNLOAD

2. MPS DECRY TREASURY'S DELAYED RELEASE OF BUDGET ALLOCATIONS

The underutilization of the 2021 national budget votes by Ministries, Departments and Agencies (MDAs) raised questions about the validity of budget allocations in the National Budget.

The National Housing and Social Amenities recorded the least vote utilization at 17%, Parliament stood at 33%, Youth, Sport, Arts and Recreation utilized 40% whereas MDAs such as the Office of the President and Cabinet, Defense and War Veterans, Ministry of Finance and Economic Development and the Agricultural Ministry amongst many went beyond 100% of their 2021 budget votes.

The low utilization of public resources robs Zimbabweans of the public services and support they require particularly in the context of the ongoing COVID pandemic and cost of living crises negatively affecting most Zimbabweans.

Whilst most Zimbabweans struggle to access quality and affordable healthcare, the Ministry of Health only utilized 46% of its budget allocation as of September 2021. This under-investment in health partly explains why we have 614 deaths per 100 000 live births – Zimbabwe has one of the highest levels of maternal mortality in the world. In the same vein the Women's Ministry utilized 51% despite the funding gap associated with the feminization of poverty in Zimbabwe. The Ministry of Youth, Sports, Art and Recreation only utilized 40% of its allocation, whilst young people in the country are facing worsening levels of extreme poverty and inequality.

One of the reasons advanced for the low levels of budget utilization is that treasury was not forthcoming in releasing resources to MDAs to an extent that projects and operations of most MDAs were crippled beyond measure. Other analysts note the selective allocation of resources as evidenced by MDAs that received more than 100% whilst others remained scantly resources. Several negative impacts arise from the continued failure to reduce low levels of utilization of Budget allocations.

i. It is now possible for the Minister to present a budget of 'figures' (a placeholder budget) where amounts are allocated to MDAs on paper whilst in reality less or no resources at all are channelled to such MDAs or are unaccountably utilised elsewhere.

ii. Failure to deliver allocated budget to MDAs perpetuates corruption, poor planning, poor service delivery, dilapidated infrastructure and a reversal of gains towards Vision 2030.

iii. Whereas a number of MDAs received fewer than the total vote allocations, the treasury Chief announced a surplus. The key question worth conveying to the Minister is whether the surplus is worth reporting when expenditure was not exhausted? And in all modesty, is the surplus inclusive of the un-spent resources or there is a new meaning to the term.

iv. Naturally, if MDAs managed to function at cut-votes, it would still mean that going into 2022 MDAs might have to operate at low resources, thereby further affecting service delivery. In essence, there is no need to avail new resources to MDAs that didn't utilize as much resources in the prior period.

v. The excessive utilization of resources beyond the allocated votes is also fishy as that could imply an abuse of resources. A number of misnomers were recorded by the OAG in the use of budget funds and there has been reluctance in implementing OAG recommendations to plug resource leakages. It is vital for government to stick to spending limits so as to quell over-expenditure without any noticeable social gains.

3. OVER 30 000 STUDENTS FAILED TO REGISTER FOR ZIMSEC

Government`s allocation for the education sector decreased from 16.5% in 2021 to 13.4% in 2022. It further falls short of the 20% Dakar Education for All commitment. At the same time, school fees in Zimbabwe have become relatively expensive considering salaries of most civil servants. Boarding schools are averaging a minimum USD300 or equivalent in local currency whilst secondary day schools charge about USD30 per term in urban centres (Mate, 2018).

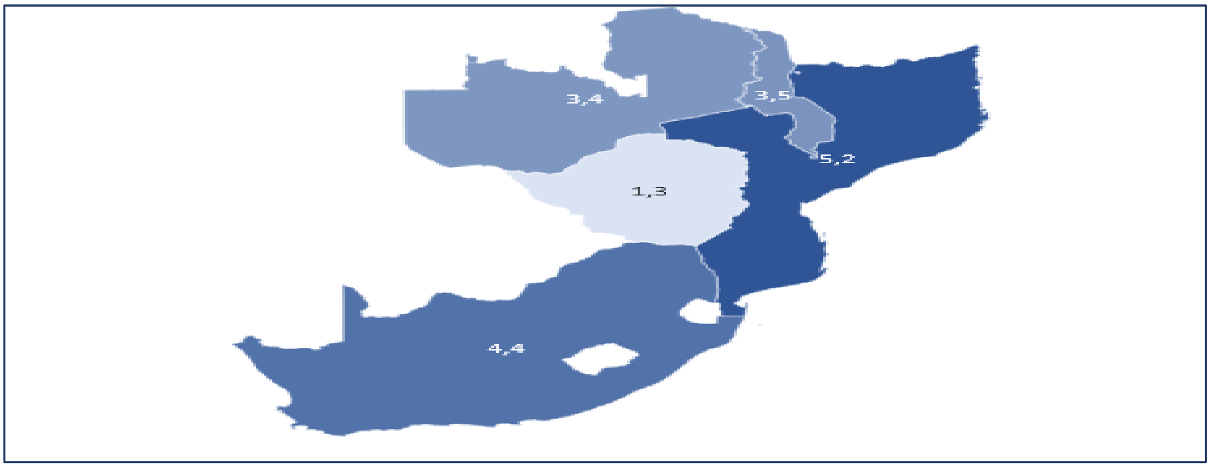
Examination fees have also gone beyond the reach of the majority as Ordinary Level examinations are priced at USD15 per subject. These charges encroach on access to education especially for the marginalized poor children. To this end, over 30 000 students failed to register for ZIMSEC local examinations and this undermines universal access to education particularly for girls and children from resource poor backgrounds. It is also against government`s commitment to have an optimum human capital by 2030 as outlined in the National Development Strategy 1 (NDS1).

Exchange rate disparities in a highly inflationary environment have contributed to steep price hikes for the complimentary goods and services pertinent for children to access education particularly transport, uniforms and gadgets for remote learning. As wages have also gone down significantly, workers such as the majority of civil servants who earn in local currency have faced serious challenges in facilitating access to educational and complimentary schooling activities paid for in Rand and US Dollar currency.

The hardships have been further exacerbated by the fact that there continues to exist a huge mismatch between salaries and incomes being earned by civil servants. Be that as it may be enough, the Zimbabwean economy is highly informal with over 80% people depending on it. The informal economy is still struggling to recover from the impact of the pandemic yet majority of school children their parents depend on it. This attest to the difficulties that Zimbabweans are encountering in paying school and examination fees.

The decline in government`s education spending has affected the once glorified Basic Education Assistance Module (BEAM) thereby limiting its coverage. This has worsened inequalities in access to education as many children in turn fail to pay for schools and examination fees. In 2019 the government supported 415 000 children under BEAM and the coverage increased to 1 million children in 2020, in 2022 the government will support 1.5 million children against 4.6 million children in need of formal and informal education[1] . The BEAM facility has also been wanting as it is now failing to pay for children`s examination fees. All this is due to government reduction in education spending which is also low among regional peers. The Figure below shows government spending (for selected countries) on education as a share of GDP. Zimbabwe lags behind her peers.

Figure 3.2: Government spending on education as percentage of GDP



Source: World Bank (2021)

4. IS THE GOVERNMENT DOING ENOUGH FOR THE HEALTH ASSISTANCE PROGRAM?

The health assistance programme allocations increased from US$ 1.35 million in 2017 to US$4 million in 2019 and US$ 10.5 million in 2020. However, there has been a continued decline in healthcare services. Studies have shown that women have higher medical care service utilization and higher associated charges than men[2] . Women in low and middle-income countries (LMICs) such as Zimbabwe, do not have equal access to resources, such as education, employment, or healthcare compared to men. The importance of addressing gender inequalities in access to healthcare has been well-established. The 2019 Lancet series on Gender Equality, Norms, and Health, 2015 Lancet Women and Health Commission, 2009 WHO Women and Health Report, and similar studies highlight how traditional gender norms that focus on women as caregivers and men as providers can impact health. Generally, women have limited decision-making power, access to resources, and have less economic and social utility than men.

The Minister of Health admitted that the health sector was incapacitated operating with only 134 ambulances for a population of 15, 062,998 as of 11 June 2021. Thus, health assistance programs have been gravely impaired by a decrease in expenditure towards capital expenditure and drug acquisition. The population's health status is compromised as evidenced by a decline of most poverty sensitive health indicators as shown in Table 2. The indicators show the poor health delivery system in Zimbabwe compared to other countries in the region. The failure of government to quell industrial action in the health sector for many years and the lack of basic drugs has worsened the plight of the vulnerable groups, such as women and persons living

1. UNICEF (2020). 2020 Social Protection Budget Brief. UNICEF Zimbabwe.
2. K D Bertakis et al. Gender Differences in the Utilization of Healthcare Services https://pubmed.ncbi.nlm.nih.gov/10718692/ .

Table 2: Key Health Indicators for Selected Countries

Country	HDI	GGE	PDP	NMP	MDP	UMR	MMR	LEB
Botswana	0,72	8,84	0,38	2,73	5,27	41,60	144,00	66,10
Namibia	0,65	13,86	0,37	2,76	4,18	42,40	195,00	63,70
South Africa	0,70	14,23	0,82	5,23	9,05	34,50	119,00	63,60
Zambia	0,59	11,31	0,09	0,89	11,87	61,70	213,00	62,30
Zimbabwe	**0,54**	**8,49**	**0,08**	**1,17**	**2,10**	**54,60**	**458,00**	**61,40**

Source: World Health Organisation, 2019

Key:
HDI – Human Development Index (2017);
GGE - General Government Expenditure on health as % of GDP (2014);
PDP – Physicians' density (per 1000 population) (2016);
NMP - Nursing & midwifery personnel density (per 1000 population) (2016);
MDP - Medical doctors (per 10 000 population) (2018);
UMR - Under-five mortality rate (probability of dying by age 5 per 1000 live births) (2019);
MMR - Maternal mortality ratio (per 100 000 live births) (2017); and
LEB - Life expectancy at birth (years) (2016).

The table illustrates the state of Zimbabwe's health status compared to her neighbors. The clearest indicator of the health crisis in Zimbabwe is the 'maternal mortality ratio per 100 000 live births. This impacts badly on women who endure the burden of carrying the pregnancy. In addition to maternal health, reproductive health and violence against women are some of the areas that are underfunded and neglected despite allocations to the health sector. This is because the health sector failed to utilize all the resources allocated to it. The sector only managed to use 46% of its allocations. Thus, further exposing women and youth to poor service in the health sector. The failure by the government to sufficiently cater for women in the health sector is a threat to the optimum human capital that is one of the fundamental principles of the National Development Strategy 1 (NDS1).

5. PUBLIC DEBT: HOW IS ZIMBABWE FAIRING REGIONALLY?

According to the latest statistics in 2022 public debt statement, Zimbabwe's public and publicly guaranteed (PPG) debt jumped from US$10.7 billion recorded as of December 2020 to US$13.7 billion as of September 2021. This is a 28% increase in debt accumulation.

In many ways, Zimbabwe's debt situation mirrors the global debt trends. The global economy is experiencing massive growth in debt exacerbated by the COVID-19 pandemic. This has forced many countries to borrow to boost their reserves and achieve some form of economic resilience. According to the World Bank, the debt stock amongst low and middle-income nations in Sub-Saharan Africa (SSA) has increased to US$702 billion in 2020, its highest level in a decade. This is an astronomical jump of 130% from about US$305 billion recorded in 2010.

The region's debt-Gross National Income (GNI) ratio skyrocketed by almost 20% in the last 10 years -from 23.4% in 2011 to 43.7% in 2020.

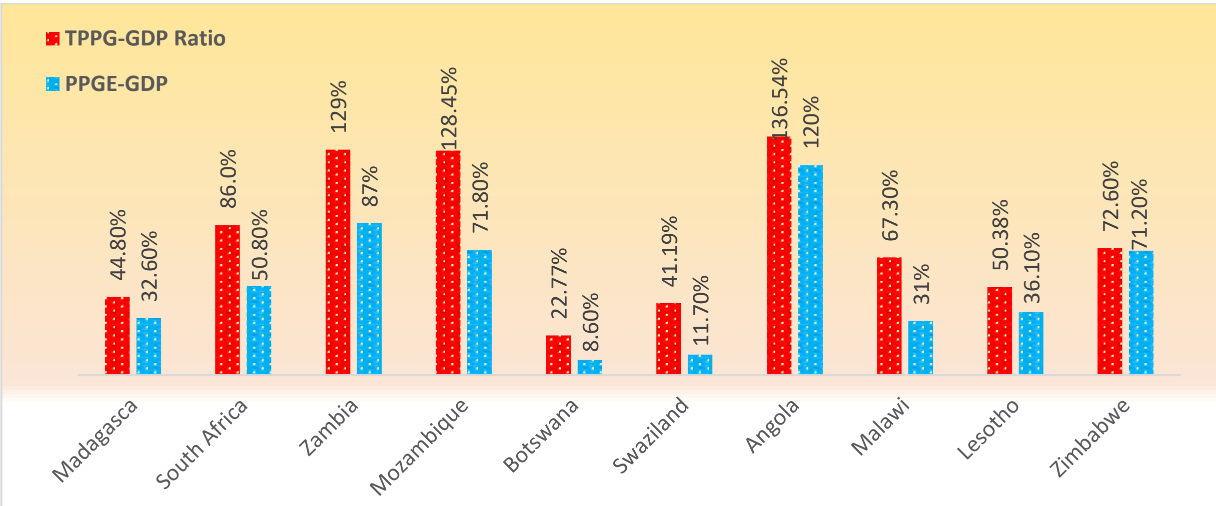
SSA debt stock as of December 2020 (US$ million)

	2010	2016	2017	2018	2019	2020
Total External Debt Stock	305	492	578	613	665	702
Long-term External debt	237	411	490	519	567	589
Short-term External debt	49	62	67	72	75	72
Disbursements (long-term)	36	69	88	91	88	67
Principal repayments (long-term)	14	28	31	48	47	52
Interest repayments (long term)	4	13	13	16	20	18

Source: World Bank

While the massive growth of debt has become a global phenomenon, it is prudent to undertake a comparative analysis of that debt to evaluate how Zimbabwe is fairing in terms of its debt management strategies. The analysis narrows down to the SADC region.

Debt-GDP Ratio as of December 2020



Source: Ministry of Finance and World Bank

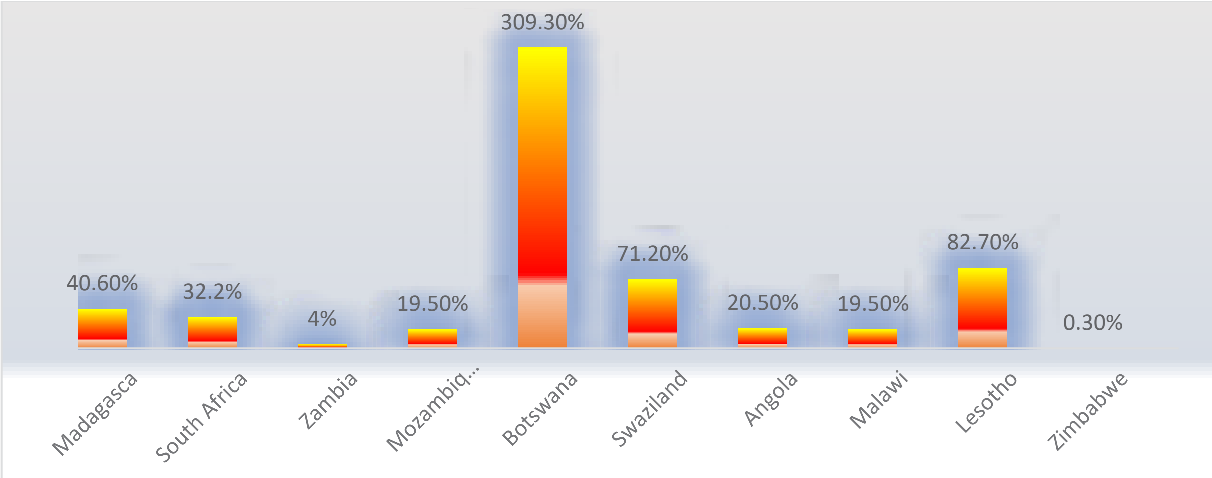
As of December 2020, Angola had the highest Total Public and Publicly Guaranteed (TPPG[3] -to-GDP ratio in the SADC region, at 136.54%, followed by Zambia (129%), Mozambique (128.45%), and South Africa (86%). Zimbabwe was fifth in SADC with a 2020 TPPG-GDP ratio of 72.6% which has however ballooned to 93.2% as of September 2021[4].

In terms of the 2020 Public and Publicly Guaranteed external (PPGE[5])-to-GDP ratio, Angola has the highest at 120%, followed by Zambia (87%), and Mozambique (71.8%). Zimbabwe's external debt-to-GDP ratio debt has increased to 89.8% as of September 2021 up from 71.2% estimated as of December 2020.

Generally, a debt-GDP ratio shows a country's capacity to repay its debts, with a rising ratio indicating that debt is growing faster than national income. Thus, the country will be having a low capacity to repay accumulated debt. In this regard, Zimbabwe's ballooning debt is a cause for concern especially under the context of the COVID-19 pandemic. Risks attached to a default on debt have a significant toll on the economy and livelihoods.

3. TPPG means Total Public and Publicly Guaranteed debt which is a sum of domestic and external debt.
4. Using 2020 GDP level of US$14.7 billion because of unavailability of September 2021 GDP estimates.
5. PPGE is the total Public and Publicly Guaranteed external debt stock

Total Reserves-External Debt Ratio as of December 2020

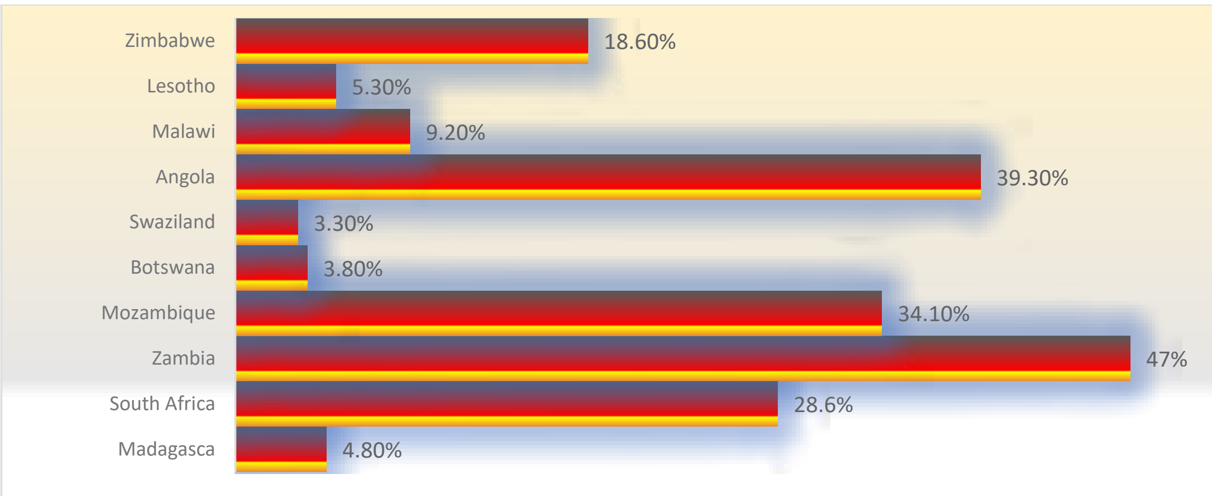


Source: OECD

The continued growth of Zimbabwe's debt is worrisome. Zimbabwe has the lowest total reserves to external debt ratio in the SADC region. This ratio is key as it shows how many dollars a country has in reserves for every dollar of debt owed to external creditors. It is an indicator of how much money the government is setting aside for future use and its flexibility to react to adverse or unforeseen contingencies. As of December 2020, statistics show that Zimbabwe has a total reserve to external debt ratio of 0.3%, far much lower than in other highly indebted countries in the region: Angola (20.5%), Zambia (4%), and Mozambique (19.5%).

The danger is that this is happening as the world experiences a seismic shift in climatic conditions. Natural disasters like droughts, floods, and cyclones are becoming more frequent and having a huge toll on the Global South (developing) countries. As such, the ballooning public debt will constrain Zimbabwe's capability to invest in the local economy hence rendering domestic firms uncompetitive relative to their regional counterparts. Ballooning debt also constrains public service delivery to provide direly needed social protection in the context of worsening poverty and inequality.

Total Reserves-External Debt Ratio as of December 2020



Source: World Bank

According to the OECD, the debt service ratio is the ratio of debt service payments made by or due from a country to that country's export earnings. In short, the debt service ratio is a key indicator of a country's debt burden. Statistics show that Zimbabwe is among the top 5 countries that are spending more of its export earnings in servicing its debts. This puts Zimbabwe at a greater disadvantage than its peers because of its dependence on exporting primary commodities on volatile global markets to generate foreign currency. The 18.6% of foreign currency from exports being used to pay creditors could be used to expand the provision of public services (health, education, housing, water, and sanitation, etc.). Also, the country is spending more money on debt servicing yet the local currency is under siege of depreciation forces and requires maximum support.

Heavy indebtedness has triggered the resort to collateralized borrowing which is risky as it may lead to the takeover of strategic national assets by foreign interest. Collateralized borrowing and mega-deals in the mining sector has accelerated climate impacting mining activities which are degrading the environment, polluting the air and water sources, and prompting involuntary relocation of people from their ancestral land.

Regressive taxes as evidenced by the recent US$50 cellular tax being proposed in the 2022 budget indicate the transfer of tax burdens from capital interests and onto the shoulders of the working poor in order to service domestic and foreign debts. These regressive taxes serve to solidify existing socio-economic inequalities (income, wealth, tax, gender, technology, membership, etc.) and the prevalence of extreme poverty.

ZIMCODD and numerous other progressive groups in Zimbabwe have called for robust and decisive measures to resolve the debt situation. These measures include, periodic independent debt audits, a renegotiated debt repayment strategy with all main creditors. As well as dynamic domestic resource mobilization (DRM), strengthening the existing Public Finance Management systems to reduce institutionalized corruption and curb illicit financial flows.

ZIMCODD

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