# WEEKLY REVIEW

18 JANUARY 2022


## WEEKLY DASHBOARD

### FOREX AUCTION WEIGHTED RATE

| WEEK | 14.12.2021 | 17.01.2022 |
|---|---|---|
| RATES PER US$1 | ZWL108. 6660 | ZWL108. 6660 |

### CONSUMER PRICE INDEX

| MONTH | NOVEMBER | DECEMBER |
|---|---|---|
| | 2,374.24 | 3,977.46 |
| BLENDED | 131.64 | 134.35 |

### INFLATION:

| MONTH | NOVEMBER | DECEMBER |
|---|---|---|
| M.O.M. | 5.76% | 5.76% |
| Y.O.Y. | 58.40% | 60.74% |

### COVID-19 CASES

| WEEK | 10.01.2022 | 16.01.2022 |
|---|---|---|
| POSITIVE | 222 921 | 226 078 |
| RECOVERED | 194 306 | 207 102 |
| DEATHS | 5 160 | 5247 |

### NATIONAL RECOVERY RATE

| WEEK | (10.01.22) | (16.01. 22) |
|---|---|---|
| | 87% | 92% |

## 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

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## 1. RBZ ASSUMES US3.8 BILLION DEBT IN BLOCKED FUNDS

During the presentation of the 2022 National Budget, the Treasury Chief noted that Zimbabwe's total public debt stood at US$13.7 billion inclusive of US$ 3.3 billion 'blocked funds' which the government proposed to assume. The blocked funds emanated from outstanding foreign obligations during the 2019 currency conversion period[1]. In addition the Government has added a further US$3.5 billion as compensation to white commercial farmers for land stolen through colonialism and unjust market fundamentals, thus pushing the total public debt to US$17 billion. The GDP estimate for 2021 is US$16 billion. As such the debt to GDP ratio stands at an unsustainable 106.25%. However, Section 268 (c) of the Constitution stipulates that Public and publicly guaranteed debt as a ratio of GDP should not exceed 70%.

In 2022, the government has indicated that it will assume US$3.8 billion instead of the proposed US$3.3 billion as per the announcement during the presentation of the 2020 national Budget. This enlarges the debt bill to US$17.5 billion. New details show that the batch of blocked funds is for 855 companies whose repatriations (dividends and loan repayments) were not affected by the RBZ. The assumption of these new debts contradicts government's earlier assertion that no further RBZ debts are to be assumed.

This tendency towards worrisome levels of debt accumulation outside of parliamentary scrutiny and popular democratic engagement has significantly eroded trust in the government's economic policies. Ultimately it is the Zimbabwean tax payer who will shoulder the burden of repaying loans contracted without popular democratic consent. As resources are channeled away from public service delivery towards debt service repayment, the working poor especially women, are forced to draw from their own meagre resources to compensate from absent or disappearing public services.

Acknowledging the dire effects of unsustainable debt on the Zimbabwean majority during this time of pandemic and economic decline it is high time for foreign creditors and multilateral institutions to cancel Zimbabwe's odious debt and provide debt restructuring options to bring the Zimbabwean debt on a more sustainable footing. On the local front Parliament and the Debt Management Office are challenged to ensure strict adherence to debt contraction limits and to exercise parliamentary veto to sanction new unsustainable debt contraction by government.

## 2. CHILONGA EVICTION ANOTHER CHINGWIZI

The High Court recently ruled against an appeal by the Chilonga villagers against government`s evictions orders and plans to relocate the Shangani people. On the 26th of February, the Minister of Local Government, Urban and Rural Development, July Moyo published Statutory Instrument (SI) 51 of 2021 Communal Land (Excision of Land) Notice, 2021 which set out to relocate almost 13 000 people from the Shangani minority tribe. According to the SI, the Shangani people are to be evicted and pave way for Dendairy`s Lucerne grass production which is farming grass for stock feed. This is not the first time the government has evicted villages.

1. The government moved from a multicurrency system to a mono-currency regime. The period was associated with foreign currency shortages and outstanding payments were recorded as blocked funds by the RBZ.

The Chingwizi eviction and relocation is a case point to the inimical and detrimental effects of the Communal Lands Act. It gives the government full autonomy to evict and displace citizens without seeking their consent. Between 2012-2014 the government relocated approximately 20 000 from the Tokwe Mukosi basin promising them full relocation compensation at Chingwizi. Seven years later, people are still living in camps and tents without adequate compensation or sustainable arable alternative land.

The eviction proliferated family and food production dysfunction, leaving the relocated at the mercy of international aid agencies. The forced eviction violated fundamental human rights as they were no consultative processes or public hearings with respect to evictions. The same is happening to the Chilonga villagers who are facing imminent eviction. Relocation or eviction without consultation and guarantee of the welfare of the villagers constitute grave violation of the people`s rights. A government committed to upholding the Constitution must prioritise the welfare and well-being of the people of Chilonga village. However, precedence has unfortunately shown that, the government is either incapacitated or deliberately neglecting its responsibility in relocating citizens and providing decent accommodation.

## 3. SCRAPING MANDATORY PETROL BLENDING A STEP IN THE RIGHT DIRECTION.

The Zimbabwe Energy Regulatory Authority (ZERA) recently announced that it has scrapped mandatory petrol blending with ethanol from E10 to E0[2]. After the announcement by ZERA, petrol prices declined albeit marginally by US$0.01 from US$1.42 per liter while that of diesel remained the same at US$1.38.

ZERA did not publicly disclose why it has scrapped the mandatory blending although there are reports that this was due to production disruptions as producers failed to match demand[3]. In our view, the rising global oil prices have largely contributed to this decision. Thanks to the record-time discovery of COVID-19 vaccines and subsequent vaccination campaigns, crude oil prices have largely increased last year as economies started to re-open and local & global travel began to recover. Crude prices are now higher than their pre-pandemic levels and are expected to remain that way in 2022. Zimbabwe is a net importer of petroleum products hence it is a price taker.

Since January 2021 domestic fuel prices were reflective of global trends as ZERA was forced to review prices upwards almost every month. Shipping costs have also risen substantially given COVID-19 disruptions, one of the reasons fueling the currently mounting global inflation wave. Therefore, adding a high domestic ethanol price in the mix will automatically lead to an exorbitant pump price for the citizens. More so, fuel is a key input used in industrial production, facilitating the distribution of goods and services, transportation of factors of production, and mass transit hence its cost contributes to price growth. In November 2021, the government reduced the fuel levy on imported fuel by between 33% and 63% per liter in a bid to curb cost-push inflation[4].

Mandatory blending was introduced in 2011 as an import substitution scheme in 2011 with the government promising citizens that they will start to see a falling to reduce the fuel import bill and contain fuel prices. For instance, in 2013 government announced that E20 would help to cut import bills by US$100 million[5].

The ethanol blending ratio has largely fluctuated over the years, reaching lows like E5 during the rainy seasons due to sugarcane harvesting disruptions and the highs like E20 in other seasons as production jumps.

2. https://www.newsday.co.zw/2022/01/zim-abandons-mandatory-ethanol-blending/
3. https://www.theindependent.co.zw/2022/01/14/ethanol-producers-fail-to-meet-demand/
4. https://www.herald.co.zw/treasury-cuts-fuel-levy-to-support-price-freeze/
5. https://www.zimbabwesituation.com/news/zimsit_zim-to-save-us100m-from-e20/
6. https://www.theindependent.co.zw/2022/01/14/ethanol-producers-fail-to-meet-demand/

Fuel prices have largely increased over the years despite the import substitution through blending, to the effect that Zimbabwe has some of the highest fuel and energy prices in the region. Zimbabwe's petrol is US$0.38 above the regional average while that for diesel is higher by US$0.40. A granular analysis shows that outside of multiple taxes and levies, the expensive ethanol contributes to fuel cost in Zimbabwe. A survey by Zimbabwe Independent has shown that local fuel companies were purchasing ethanol at US$1.10 per liter inclusive of transportation to Harare[6]. Surprisingly, this price is higher than that of unleaded petrol.

The ethanol market is a monopoly largely dominated by Green Fuels, a company that owns a mega ethanol plant in Chisumbanje. The problem with monopoly is that it results in output restrictions leading to charging of higher prices to the consumer relative to a competitive market. Also, market dominance may lead the producer to be less innovative thus the consumer will bear the burden of incompetence. It is reported that Zimbabwe's ethanol is too expensive to an extent that one can import it as far as from Brazil and sell it cheaper locally. This explains why citizens have never enjoyed lower petrol prices even when global crude oil prices will be plummeting.

Be that as it may, the decision to scrap mandatory blending laudable since in its current form the import substitution has failed to bring down fuel costs and contributed to high costs of living. If the government is going to re-introduce this mandatory blending in the future, it should liberalize the ethanol market to allow the participation of many players, not just entrenched monopoly interests.

## 4. VACCINE UPTAKE REMAINS LOW IN ZIMBABWE

On the 31st of January 2021 the government announced that it had set aside US$100 million for the procurement of 20 million vaccines targeting approximately 10 million people which is 60% of the population so as to achieve herd immunity[7] . To this effect, the finance minister[8] reported that the government purchased 20 million doses of vaccines by 15th November. In the post-cabinet briefing[9] of Tuesday 14 December 2021, the government also announced the availability of adequate stocks of vaccines to vaccinate all citizens.

Given this background, Zimbabwe continues to face a myriad of vulnerability challenges and inequalities caused by the COVID-19 pandemic. However, in a move to end vaccine inequality and to boost the country's vaccination campaign as Zimbabwe battles the fourth wave of COVID-19 pandemic, the People's Republic of China has donated 10million[10] doses of COVID-19 vaccines (6million of Sinovac and 4 million of Sinopharm vaccines). The recent donation is reported to be in addition to the over two million doses Zimbabwe has received in donations since February 2021 from China. China has undoubtedly given Zimbabwe a major boost which gave life to the implementation of its national vaccination programme. China's ambassador to Zimbabwe, Guo Shaochun, said the 10 million doses would be delivered in batches throughout 2022.

While the country welcomes this development from China, this new donation from China therefore sets the country on a positive trajectory regarding administration of booster shots for the citizens in the face of the Omicron variant. However, with all these purchases, donations and even threats by the executive, the million-dollar question is why vaccine uptake remains low in Zimbabwe? Since the 18th of February 2021 when the country launched its vaccination programme, the country has, as at 16 January 2022, only vaccinated 4 206 094 against COVID-19 with only 3 232 122 people (22% of the population) fully vaccinated. It should be flagged that Zimbabwe's vaccination programme continues to be faced with vaccination apathy.

7. www.herald.co.zw/zim-to-receive-covid-19-vaccine/amp/?espv=1
8. https://www.herald.co.zw/zim-acquires-20-million-covid-19-doses/
9. https://www.newsday.co.zw/2021/12/in-full-forty-third-post-cabinet-press-briefing-14-december-2021/
10. https://www.herald.co.zw/chinas-10m-jabs-gift-major-boost-for-covid-19-fight/
11. https://www.reuters.com/world/africa/zimbabwe-says-china-donate-10-mln-doses-covid-vaccine-2022-2022-01-12/

The subject of vaccines and vaccination in Zimbabwe has already evoked public skepticism illustrative of the already existing trust deficit between the government its citizens. The question of who is positioned to gain more between China who is the donor and Zimbabwe the beneficiary has also generated much debate among citizens as Zimbabwe's choice of vaccines has not been transparently declared to citizens who were left to speculate on either geopolitics or donation-trap-diplomacy. Citizens are also questioning the effectiveness of the Chinese vaccines in limiting the morbidity and the mortality rates related to OMICRON and upcoming COVID-19 variants in Zimbabwe and this needs to be addressed as it is contributing to vaccine apathy. In view of the foregoing, it is recommended:

1. Bridge information gaps to increase vaccine uptake - Increasing access to information on vaccination benefits and effectiveness against mutating variants is critical to convince sceptical citizens. The government should also address public mistrust through information dissemination as the success of the COVID-19 vaccination program is hinged on timely, consistent, reliable information dissemination on progress, challenges, successes.

2. The marginalized and often segregated communities should systematically have allocations of the vaccine. The process of vaccine distribution should be all inclusive and not be a catalyst for vaccine inequalities

3. Vaccination campaigns need to be context specific. This calls for well-planned and executed campaigns anchored on a functional health system and infrastructure, and sound information systems to raise awareness, dispel misinformation, track and report on the vaccinations.

4. Strengthen vaccination programme through collaborating with civil society as civil society is critical to enable the country to achieve equitable access to COVID 19 vaccines. Civil society will strengthen vaccine rollout through research and advocacy efforts to draw attention to the benefits of equitable access, by providing oversight on vaccine roll-out and to ensure accountability on key issues such as policies, budgets and expenditure with the aim of making COVID-19 vaccines available to and affordable.

## 5. A BRIEF HISTORY OF FAILED CURRENCY REFORMS

Over the years, the Reserve Bank of Zimbabwe (RBZ) has adopted various exchange rate mechanisms to address inflation against the Zimbabwe dollar (ZWL$). In the early part of 2019, the government abandoned a fixed exchange rate regime that was in place since 2014 when the bond coins were introduced at par with the US$ ostensibly to increase the availability of change in day-to-day transactions. The tendency towards unbridled money supply growth to address unsustainable fiscal deficits however undermined this move towards a local currency at par with the US$. Upon the realization that the US$ RTGS was no longer equal to the real US$, the RBZ directed banks to separate US dollar accounts from RTGS/bond accounts, a move that led to the birth of an interbank market on 20 February 2019[12] . This was a market for trading a new local currency named RTGS dollar comprising of RTGS balances, mobile money, bond notes, and bond coins. To kick start this market, RBZ provided seed foreign currency capital and the RTGS$ started trading at a mid-day rate of US$1: RTGS$2.50.

In June 2019, the government ditched the multicurrency regime by 'nicodemusly' re-introducing the Zimbabwe dollar (ZWL$), a move that stunned economic agents. The ZWL$ inevitably succumbed to depreciation pressure thus further fueling inflation at a time when the country was struggling to address challenges such the an El-Nino-induced drought, Cyclone Idai, acute fuel and electricity shortages as well as the onset of the COVID-19 pandemic.

12. https://www.rbz.co.zw/documents/publications/circulars/exchange-control-directive-ru-28-of-2019.pdf
13. https://businesstimes.co.zw/cartel-bleeds-forex-auction/

The RBZ then reverted to a fixed exchange rate in March 2020 which fixed the local currency at US$1: ZWL$25 while allowing dual pricing -ZW$ and US$. For a country facing depleted foreign currency reserves, a fixed exchange rate regime was unsustainable as it was almost impossible to insulate the currency from speculative attacks -massive and sudden buying and or selling of a currency to destabilize its value.

The fixed regime was abandoned on the 23rd of June 2020 when the RBZ introduced a weekly Dutch Foreign Currency Auction System, an auction held on every Tuesday except during public holidays. Initially the auction system managed to moderate exchange rate depreciation. Upon inception the Auction System triggered the reduction of informal market premiums that were hovering above 80% plummeted to below the 25% accepted threshold for currency stability. In the same vein, inflation that reached its post dollarization peak of 837% in July 2020 moderated to close the year at 345% with a monthly rate of under 5%. However growing questions around the sustainability and equitability have continued to dog the Auction System especially given repeated failures to resolve weeks-long forex backlog against rising demand. Consequently, market players including formal businesses resorted back to primarily sourcing foreign currency on the parallel market joining the majority of informal sector market players who have remained marginalized from the Auction System.

When the auction was introduced, the Bank assured the public that it was going to be run transparently, help in discovering the true value of the ZW$, and stabilize prices. However, all these promises remain a pie in the sky. There is no bidding transparency (who bid, at what price, & received how much) because publishing lumped figures will not disclose irregularities. Also, the individuals accessing the forex auction remain a mystery. This raises eyebrows for a country that is notoriously known for being corrupt as evidenced by yearly Auditor-General audit reports and rising corruption perception index. Further, there is a high possibility for RBZ to manipulate the exchange rate because it is the sole supplier of forex on the auction market as other traders continue to shun the market. Despite rising forex demand, the auction weighted average exchange rate was barely moving throughout the year, an indication of some insider trading. To prove the lack of transparency on the auction, RBZ revealed that it found a cartel of companies externalizing auction funds[13]. The reason given by authorities is appalling -the Bank blamed commercial banks for not doing Know Your Customer (KYC) diligently.

Inflationary pressures characterized by rapid exchange rate depreciation of the local currency against hard currencies like the US dollar (US$) have precipitated a worrisome cost of living crisis and economic volatility affecting the majority of Zimbabwean workers. The majority of Zimbabweans continue to be paid in a fragile currency, facing exorbitant prices of basics and regressive taxes pegged against the US$. We continue to ask: when will authorities adopt long-term currency reforms so that all citizens have fair access to US$? It is time to reform the auction system to bring transparency. Regular audits of auction activities should be normalized. Also, there is a need for sustainable reserve money growth and sustainable fiscal spending -spending within stipulated budgets.

## 6. IS THE ZIMBABWE ELECTORAL COMMISSION INDEPENDENT?

The past three weeks have left Zimbabweans questioning the independence of the Zimbabwe Electoral Commission (ZEC). This is because, ZEC gave contradictory figures of people who registered to vote (first timers) in 2021. Thus, 2000 and 2971 were given respectively. Various stakeholders have refuted these figures with Project Vote 263 a civic organization stating that it had assisted 9635 people (first timers) across the country to register to vote , leaving citizens in fear of possible electoral fraud.

Manipulation of the voter registration process is a potential loophole for rigged elections as it determines who votes and who cannot. The disenfranchisement of citizens using the voter's registration falls under gerrymandering. A concept that entails protecting the party lines and interest of the incumbent in power through voter registration and manipulation of electoral boundaries. ZEC's recent actions seem to support the incumbent in power.

Many electoral stakeholders have already begun to raise concerns with that the current electoral environment is far from fair, free and fair. The actions by ZEC demonstrate partiality which contravenes the Electoral Act [Chapter 2:13]. Robust electoral-institutional reforms to secure citizens' constitutional right to vote and safe-guard the electoral process are necessary for upcoming electoral process to truly reflect the will of the Zimbabwean people.

## 7. GENDER EQUALITY: HOW FAR HAVE WE COME?

The gender equality discourse has been taking place in Zimbabwe since its political independence in 1980. Over the years, in an effort to eradicate gender inequality, the government has made reference to international gender declarations and conventions such as the United Nations Conventions on the Elimination of all Forms of Discrimination Against Women (CEDAW). Nationally, policies have been put in place to advance gender equality, these include, the Gender Affirmative Action Policy of 1992, the National Gender Policy of 2004 and another from 2013 to 2017. The 2013 Constitution also took major strides to address gender inequality through provisions that promote the rights of women and mandate the State to promote full gender balance in Zimbabwe. Despite these strides, gender inequalities across economic, social and environmental dimensions continue to persist.

Women in Zimbabwe constitute 52% of the population. The exclusion and marginalization of women and girls mean that their majority voice and needs are left out of decisions that affect them. Gender inequality remains widespread and it remains the duty of government and all other stakeholders to work aggressively towards alleviating gender disparities. A number of studies have shown that sustainable development is impossible without women's empowerment and gender equality. They further suggest that gender inequalities are extracting high economic costs and leading to social inequities and environmental degradation around the world. It is imperative to note that without the equal inclusion of women in all areas of development initiatives, all the components of sustainable development cannot be achieved. Any development initiative has to engage and ensure that both men and women contribute and benefit equally from it.

Traditionally, women hold an inferior position in dominant Zimbabwean cultures, which are often patriarchal. Women often work for no pay in the home or in subsistence agriculture; alternatively, they perform low-paid wage work. The statistics given below illustrate some of the inequalities women face in the country:

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14. Zec drops registration bombshell - NewsDay Zimbabwe
15. https://www.sciencedirect.com/science/article/pii/S2405883116300508

- One of the key targets in the SADC Protocol on Gender and Development is 50% women's representation in all areas of decision-making by 2030, however in Zimbabwe, there is a disparity between women's representation in decision making structures at the national level (36%) and the local level (16%).

- 33.7% of women aged 20-24 years old who were married or in a union before age 18.

- In 2018, 18,2% of women aged 15-49 years reported that they had been subject to physical and/or sexual violence in the previous 12 months.

- As of December 2020, only 46.7% of indicators needed to monitor the SDGs from a gender perspective were available, with gaps in key areas, in particular: unpaid care and domestic work.

- In education, while nearly 78% of pupil's complete primary school, transition to secondary school remains a challenge. For secondary school boys, school fees remain a challenge, while for girls, a combination of early marriage and pregnancy (48%) are issues of concern. This has been made worse by the COVID-19 pandemic.

- Maternal mortality remains a cause for concern with 581 per 100 000 live births.

Women continue to suffer from lack of adequate access to training, extension and credit services, financial support and modern technology. For the effective and sustainable economic growth of any country, the equal participation of both sexes is crucial. As we commence the week of action in fighting inequality, ZIMCODD continues to encourage women to participate in governance processes as their direct involvement in public decision-making is a means of ensuring tangible gains for democracy, including greater responsiveness to citizen needs, increased cooperation across party and ethnic lines and a more sustainable future.

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16. https://genderlinks.org.za/wp-content/uploads/2018/04/50-50-Policy-BriefZIMrev2.pdf
17. https://www.unicef.org/zimbabwe/gender-focus
18. https://genderlinks.org.za/wp-content/uploads/2018/04/50-50-Policy-BriefZIMrev2.pdf https://data.unwomen.org/country/zimbabwe#:~:text=In%20Zimbabwe%2C%20as%20of%20February,parliament%20were%20held%20by%20women.&text=66.7%25%20of%20legal%20frameworks%20that,a%20union%20before%20age%2018.
19. Ibid.
20. https://www.unicef.org/zimbabwe/gender-focus
21. Ibid.

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