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ZIMCODD

ZIMBABWE COALITION ON DEBT AND DEVELOPMENT

WEEKLY REVIEW

1 FEBRUARY 2022

ABOUT ZIMCODD:

The Zimbabwe Coalition on Debt and Development (ZIMCODD) is a social and economic justice Coalition established in February 2000 to facilitate citizens` involvement in pro–people public policy. ZIMCODD views indebtedness, the unfair global trade regime and lack of democratic people–centred economic governance as the root causes of socio – economic

"Celebrating 20 years of People driven Social and Economic Justice in Zimbabwe"

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Weekly Dashboard

Forex Auction Weighted Rate

Week (18.01.2021)	Week (25.01.2022)
ZWL112. 8228 per USD1	ZWL115.4223 per USD1

Consumer Price Index

December	January
3,977.46	4,189.97

Blended Consumer Price Index

December	January
134.35	138.02

Month on Month Inflation

December	January
5.76%	5.34%

Year on Year Inflation

December	January
60.74%	60.61%

Covid-19 Cases

Week (23.01.2022)	Week (31.01.2022)
Positive cases 228 254	**Positive cases** 229 666
Recovered 213 299	**Recovered** 219 414
Deaths 5 5294	**Deaths** 5338

National Recovery Rate

Week (23.01.22)	Week (31.01. 22)
93%	95%

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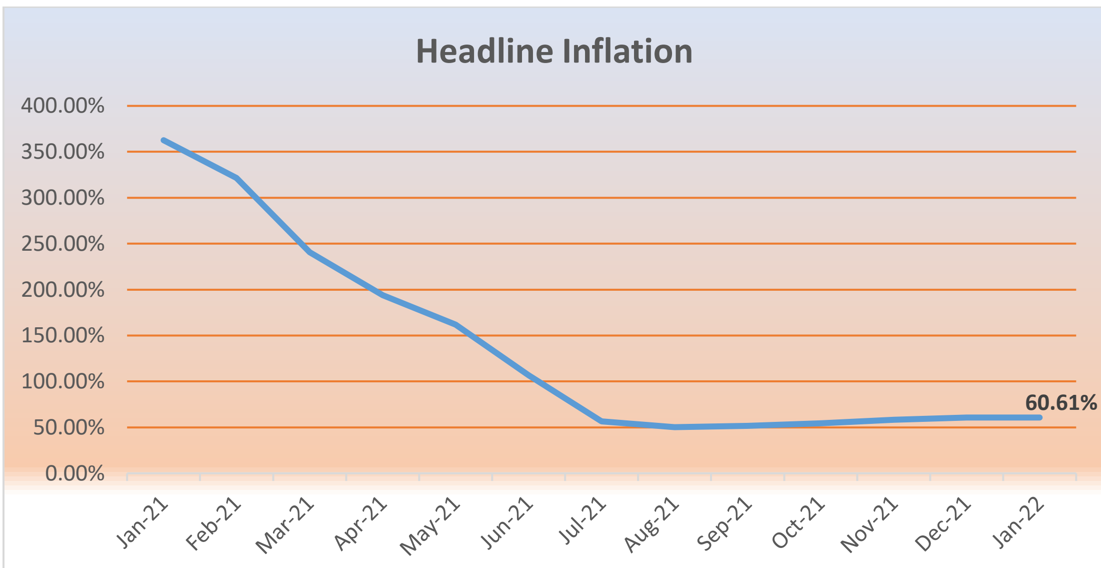
1. Zimbabwe continues with inflation struggles in 2022

Moderating inflation growth has been a challenge for authorities and a nightmare for the average citizen in the absence of broader structural reforms.



Source: ZimStat Annual Inflation Statistics

The latest inflation statistics released by ZimStat for January 2022 show that annual price increases have largely remained the same at 60.61%, marginally down from 60.74% recorded in December 2021. On a month-on-month basis, price inflation also declined albeit by less than a percentage point to 5.34% in January 2022 from 5.76% in the previous month. While the figure above shows a steep moderation in prices between January 2021 and July 2021, this slowdown was not being felt significantly in the pockets of the citizens as prices were rising by an average of 3.1% per month. As such, the moderation in annual inflation outturn could be partly attributed not to the policies of authorities but to the base effect -the impact of comparing current price levels in a given month against price levels in the same month a year earlier. From August 2021 to date, prices burgeoned by an unsustainable average monthly growth rate of 5.49%. This means that monthly, prices have gone up by a cumulative 32.94% since August 2021.

The major driver of inflation during this period has been the massive depreciation of the local currency particularly in the parallel market, the major forex source for the informal sector. The informal sector is estimated to be constituting over 60% of the total economy. RBZ auction statistics show that between 3 August 2021 and 25 January 2022 (22 auction weeks), the Zimbabwe dollar lost 26% of its value relative to 2% lost in the prior 22 weeks (2 March 2021 to 27 July 2021). In the parallel market, the local unit has lost about 37% of its value between August 2021 and January 2022 and by a staggering 99% since it was introduced in February 2019. ZIMCODD analysis shows that the decline in ZWL$ value is tied to the inefficiency of the auction market that saw RBZ facing a weeks-long foreign currency allotment backlog.

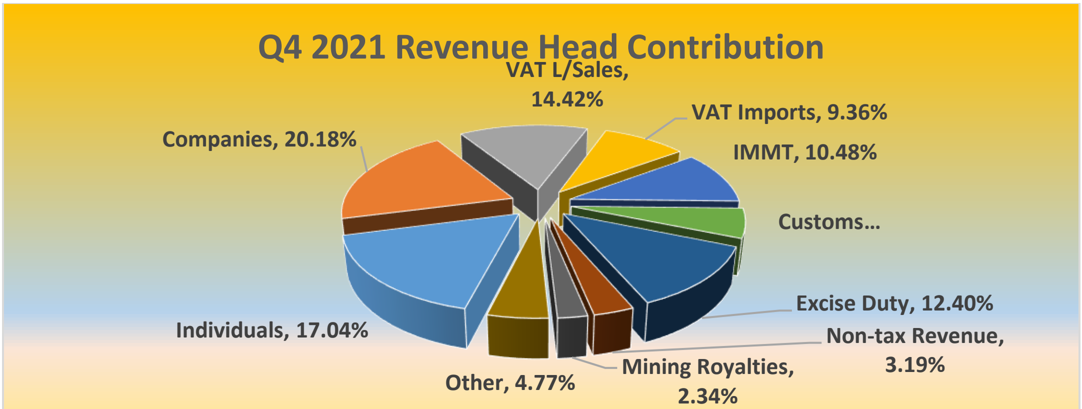
Money supply growth has become unsustainable in part due to an elevated spending season supporting agriculture through the procurement of grains from farmers. This high spending increased liquidity in the market without addressing productivity and redistributive mechanisms resulting in the proliferation of non-productive and speculative capital with little impact on job-creation and shared economic growth. Despite the massive ZWL$ depreciation and relentless inflationary pressures, salaries have barely improved since 2019 with civil servants earning an average of ZW$30,000 for the entire 2021.

The virtual re-dollarization of the economy in conditions of a hyper-inflationary local currency is disproportionately hurting those earning in the local unit. It is high time now for the government to lead by abandoning austerity measures and cushioning workers through paying them entirely (or partly) in forex. Austerity disproportionately inflicts pain on poor citizens relative to the filthy rich, who do not need to rely on public services. Yet as public services and social protection mechanisms have been mercilessly cut through austerity measures the rich manage to insulate themselves through huge savings and investments in real estate, stock markets, and other financial assets whilst piling on more wealth. Loopholes in policy and legislative provisions biased towards the elites and politically connected individuals sustain this asymmetric relationship between the elites and the majority poor.

2. 2021 was ZIMRA's year at the expense of the working poor

The latest statistics released by the Zimbabwe Revenue Authority (ZIMRA), have shown that the entity has surpassed its revenue collection target for the fourth quarter of 2021 (Q4:21), cementing a year of surpassed quarterly targets since the beginning of the first quarter (Q1:21).

Gross revenue collection for Q4:21 stood at ZWL$161.08 billion, 48.91% above the target of ZWL$108.17 billion. After paying for refunds totaling ZWL$3.9 billion, net revenue collections for the quarter closed at ZWL$157.19 billion -a 45.31% above target.



Source: ZIMRA 2021 Fourth Quarter Revenue Performance Report

Nominally, net revenue collection for Q4:21 represents a 71.77% jump from ZWL$91.51 billion collected in the comparable period in 2020 while in real terms -adjusted for inflation- net collection for Q4:21 mounted 8.81% relative to Q4:20. Cumulatively, ZIMRA's net collections for the full year stand at ZWL$469.21 billion, 21.12% above the target of ZWL$387.4 billion. As has been generally the trend, the highest monthly revenue collection (ZWL$74 billion) was realized in December 2021, a period corresponding to the festive season. This season is characterized by increased activity at the ports of entry from diasporas and high consumer spending thanks to the payment of annual bonuses largely by the public sector. Also, the growth in ZIMRA revenues is attributable to the increased re-opening of the economy from COVID-19 restrictions in 2021 compared to 2020. As such, business activity ballooned, with projections for industrial capacity utilization estimated at 61% for 2021 up from 47% in the previous year. This explains a 171.16% nominal growth in company income tax in 2021 from the 2020 level.

Generally, an increase in tax collections reflects a burgeoning economy that should be characterized by quality and affordable public services, social protection, quality infrastructure, and rising welfare among others. However, for Zimbabwe, the opposite is the case as the rising tax collections trigger the rising cost of living and continued price increases for basic goods and services. The government is failing to cushion the vulnerable groups from the devastating impacts of the COVID-19 pandemic. Reports from the ground indicate that the various funds and COVID-19 social protection mechanisms announced by government routinely fail to reach expected beneficiaries. As such with tax collections outpacing targets, one can ask where is the money going? Apart from value erosion through depreciation, indications are that collected revenues are being abused, misused, misappropriated, and diverted for private gain by public officials. This is evidenced by the findings of the Auditor-General audit reports for 2019 that showed a lack of transparency in government. For instance, ZIMCODD analysis found that the government was prejudiced by its officials over ZW$330 million of COVID-19 resources in 2020.

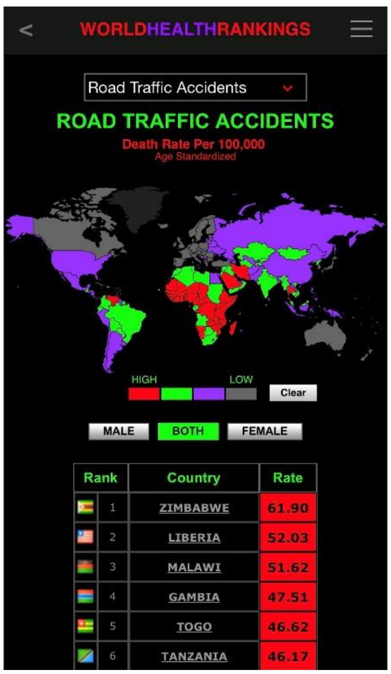
Furthermore, due to rampant corruption, there is protection of incompetence and waste in government. For example, amid a global pandemic and a dire shortage of medical drugs, equipment, and healthcare professionals especially in rural areas, the Health Ministry has managed to utilize only 46% of its budget votes as of September 2021 while other ministries like Agriculture have nearly doubled their budget votes by spending 171%.

High revenue collection from the government should translate into improved livelihoods of the citizen.

3. Zimbabwe Roads Deadliest in Africa

The latest Zimbabwean Road Safety Performance Review released by the Executive Secretary (ES) for the United Nations Economic Commission for Africa (UNECA) shows that road accident deaths increased by 34% between 2011 and 2019 whilst road fatalities averaged 2000 annually post 2016. This translates to 5.48 deaths per day.

The latest World Health Rankings classify Zimbabwe amongst countries with high (red) road traffic accidents as shown in the diagram below.



Zimbabwe ranks first in Africa with 61.90 road accident-induced deaths per every 100 000 people followed by Liberia, Malawi, Gambia, Togo and Tanzania at 52.03, 51.62, 47.51, 46.62 and 46.17 respectively. These appalling statistics come at a time when the Zimbabwean government is celebrating 'phenomenal' infrastructure development, especially roads across the country. However, the rainy season has exposed either the poor workmanship on the new roads being developed or poor state of the existing roads. Potholes are a common sight on most roads including roads in urban areas thereby endangering motorists. Untarred roads are not conducive for use during the rainy season leaving many remote places unconnected to key services such as health and education facilities. Amenities such as bridges have also been swept away by flooded rivers whilst renovated ones have suffered the same fate. Even though government's effort to address poor roads is commendable, the pace of the exercise is too low to catch up with the worsening road conditions. On the other hand, the resources allocated to the development of roads are too meagre to meet the road development budget no wonder the Harare-Beitbridge Road has taken more than 3 years to complete and road works are still in progress – obstructing traffic using this major trade corridor.

Poor road infrastructure goes against efforts to advance regional integration efforts and stalls progress of the economy towards Vision 2030. Roads are a key industrialization factor that must be prioritized thus the National Development Strategy (NDS) 1 motive of moving the economy up the value chain and structural transformation may remain a dream if no effort is invested in reversing the high rates of road carnage.

Road accidents are even deadlier considering the defunct health system and lack of emergency facilities. Accordingly, besides availing resources to improve the road network, the services requisite to deal with road accidents must be upgraded with urgency. From a development finance perspective, the government ought to consider innovative road construction financing options within the Public Private Partnership (PPP) space covering the design, construction, the operation, the servicing/maintenance as well as the management of road infrastructure. Such hybrid PPPs can be Build Own Operate and Transfer (BOOT), Build Own Operate (BOO), Build Transfer Operate (BTO), Design Build Finance Operate (DBFO), Design Build Operate (BDO), Design Build (DB), Operation and Maintenance (OM) amongst many designed to suit the financing needs of the government.

4. Cyclone Ana Raises Questions About Zimbabwe`s Disaster Management Capacity

An examination of the Zimbabwe`s disaster management trends raises several questions that probe for answers and further reflection:

- Is Zimbabwe really prepared to handle disasters?
- What will become of the survivors of cyclone Ana?
- Are they also going to be put in tents and be forgotten like the survivors of cyclone Idai and Tugwi-Mukosi?
- Does budget surplus mean anything when the citizens are still leaving in tents?
- Whose surplus is it and for what purpose if it does not serve the citizens?

These are key questions that every Zimbabwean needs to bear in mind and reflect on, in as far as climate induced cyclones are frequently affecting the country.

Cyclone Ana became topical last week as it racked havoc in neighboring countries such as Mozambique where twenty-one people were killed, one hundred and twenty (120) injured and approximately 126,198 people[1] affected. Tete, Zambezia and Nampula are the most affected provinces. Although, the scale and magnitude of cyclone Ana is still less than that of cyclone Idai. Its trail of destruction reminiscences the destructive cyclone Idai and this raises serious questions about Zimbabwe`s disaster management capacity.

In the 2022 national budget, the government allocated ZWL 825, 000, 000 for disaster risk management which if converted using the ruling exchange rate of 1:12.8[2] is US $ 7,313,829. A meagre allocation if one is to consider how critical is disaster management in attaining optimum human capital and strategically position the country in the attainment of vision 2030. The table below is an extract from the 2022 National Budget Statement and it shows the disaggregated allocations of disaster risk management funds.

Targeted Interventions	ZWL$
Radar and other weather equipment	155,000,000
Civil Protection	
Construction works	200,000,000
Vehicles and other equipment	100,000,000
Operations	130,000,000
Upgrading of the Meteorological Offices	240,000,000

[1] Mozambique: Tropical Storm Ana Flash Update No.6 (As of 30 January 2022) - Mozambique | ReliefWeb

[2] Zimbabwe auction market ruling exchange for the 25th of January 2022.

Total	825,000,000

Source 2022 National Budget

The US$7.3 million allocated to the Department of Civil Protection (DCP) for disaster risk management is not sufficient to build national disaster management resilience. This is because in 2019 DCP made a submission requesting to be allocated US$10 million, which it said will be enough to fulfill its mandate. However, the DCP was only given US$2.3 million[3]. Therefore, relying on the DCP`s request, US$ 10 million should be a reasonable benchmark for disaster risk management allocation. Thus, it should be the floor standard and not celling standard. Nevertheless, there has been a positive increase from the US$2.3 allocation in 2019 to US$7.3 million in 2022 although a lot still needs to be done to have a viable disaster management system.

According to one key informant from Chimanimani DCP, serious concerns persist about the impact of cyclone Ana on highly vulnerable people and the limited resources available to respond to the unfolding needs. The resources allocated to DCP for disaster risk management are not sufficient, considering the fact that the survivors of cyclone Idai in Ngangu and Risutu are still leaving in tents four years after the disaster. This attests to governments` weak post-disaster management capacity. Cyclone Idai survivors are not the only ones in this predicament. Tugwi-Mukosi survivors who were relocated to Chingwizi are still leaving in tents 8 years after the disaster in 2014. To this end, DCP`s weak post-disaster management is worrisome as cyclone Ana has already left a trail of destruction across the country. Schools, bridges and houses are among the infrastructure that was destroyed in Masvingo (Bikita, Tugwi-Mukosi) and Manicaland, leaving hundreds of families stranded in Chimanimani, Buhera and Nyanga[4]. Cyclone Ana has further worsened the plight of women in Masvingo province as the maternity ward at Mashoko Mission Hospital was blown off. Approximately 105 houses have been destroyed[5] and there is a possibility that they are going to live in tents for a long time unless something has been done.

5. Cyclone Ana Manicaland

Climate change has been affecting the world over bringing about heat waves, drought, floods, typhoons, hurricanes, and other natural disasters. Already dealing with the COVID-19 pandemic, the people of Manicaland have had to manage the dual impact of tropical cyclones. Manicaland province, which hasn't fully recovered from Cyclone Idai, which occurred in 2019, tropical storm Chalane in 2020 and Cyclone Eloise in 2021, was hit by Cyclone Ana last week. The cyclone ravaged the province, affecting areas such as Chimanimani, Chipinge, Nyanga, Muzarabani and left an estimated 300 households in Mutasa and Nyanga districts homeless. Cyclones such as this cause extensive damage to shelter, crops, livelihoods, communication infrastructure, WASH (water, hygiene and sanitation) facilities and health. This is a huge blow to the community and more vulnerable groups, such as women, children and persons with disabilities.

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[3] Mutizwa. B. An Investigation into Organisation Capacity for National Disaster Management in Zimbabwe: The Case of the Department of Civil Protection. International Journal of Humanities, Management and Social Sciences, vol. 4, no. 1, pp. 11-22, June 2021.

[4] Cyclone Ana wreaks havoc - NewsDay Zimbabwe

[5] Cyclone Ana wreaks havoc - NewsDay Zimbabwe

Even before the cyclone, such buildings had poor infrastructure, as is the case with many clinics and schools in Zimbabwe. This remains concerning ahead of the opening of schools on 7 February 2022.

Disaster preparedness and early warning systems are imperative to reduce the impact of natural disasters in communities. While it is commendable that the country's Department of Civil Protection (DCP) has set up 394 evacuation centres in Manicaland province to deal with the impact of Cyclone Ana, more needs to be done to deal with the aftermath of cyclones in the country. As mentioned before, the region affected by Cyclone Ana had not fully recovered from previous cyclones in the area.

It is important that, in areas such as Manicaland that are prone to Cyclones, strong houses and structures are built that are resilient in the face of natural disasters. Communities in Manicaland have been criticized for having built improper structures and urged to construct houses that are resilient to climate change-related disasters, but one wonders who was approving building plans and assessing the various building stages? Nevertheless, the community has been appealing for cement so that they rebuild stronger structures. So far, the Red Cross has been assisting villagers with relief materials. It remains to be seen what the government will do to assist those who have been affected by the cyclone as some people in the region are, to this day, living in makeshift structures as a result of previous cyclones.