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ZIMCODD

ZIMBABWE COALITION ON DEBT AND DEVELOPMENT

WEEKLY REVIEW

15 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 01.02.2022	Week (08.02.2022)
ZWL116.6500 per USD1	ZWL 118.8748 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 (05.02.2022)	Week 14.02.22
Positive cases	230 402	231 603
Recovered	221 027	223 337
Deaths	5362	5 347

National Recovery Rate

Week (05.02. 22)	Week (14.02.22)
96%	96%

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1. Minister`s Performance Contracts, A High Sounding Nothing

On the 10th of February 2022, cabinet ministers and heads of public institutions signed performance contracts. Performance contracts are part of strategic human resource management, tailor-made to ensure organizational optimum efficiency by evaluating one`s performance against the agreed milestones in his or her contract. Ideally, the signing of performance contract is a welcome development as it projects governments attitude towards public service delivery. However, in Zimbabwe the signing of performance contracts should be viewed under the guide of "populism stance" aimed at recalibrating the regimes image with respect to public service delivery, accountability, and transparency. This is done in order to make the electorate believe that the government is serious about improving the state of public services.

The sincerity of the government is questionable if one is to consider that, in 2005 it introduced the Results Based Management Systems (RBM) to which, till today, no evaluation results were published neither did the citizens witness any change. The goals of RBM were to promote the enhancement of efficiency, accountability and transparency and ensuring the improvement of delivery of services to meet developed targets. Various institutions were given key roles in implementing RBS as highlighted hereunder:

- Ministry of Economic Planning and Investment Promotion – Integrated Development Planning
- Ministry of Finance and Economic Development – Results Based Budgeting
- Public Service Commission - Results Based Personnel Performance System, Results Based Monitoring and Evaluation and Results Based Management Information System
- Ministry of Public Service - Implementation of Results Based Management Systems
- Ministry of Information, Communication & Technology – Result Based Management Information System
- The Office of the President and Cabinet (OPC) – Overall initiator of the Result Based Management System

Nevertheless, RBM was never implemented or followed religiously as evidenced by the decrepitude of service delivery across the entire public sector. Its failure in bringing about transmogrification in service delivery attest to either incompetence or lack of political will in holding public officials to account. The fact that public sector management is already infused with performance management and that, the OPC already has the Minister of State for Presidential Affairs in charge of implementation and monitoring makes one believes that this is another populism choreography stance. This is because there are already exiting frameworks that can be used to assess the performance of public officials among them is the Auditor-General report. The

Auditor-General Reports have been reporting on ministers and heads of public institutions incompetency for quite some time, but nothing has been done.

Thus, this leaves a lot of questions unanswered key among them being "what makes performance management contracts different from other related performance assessment frameworks? If the government since 2005 has failed to produce a result-based management evaluation report of public officials what will make it start now? The OPC is already embedded with the Minister of Implementation and Monitoring but to this day no implementation and monitoring report has been released. Therefore, Zimbabwe does not need new performance assessment frameworks but the implementation of existing ones to the latter.

2. Who Gets What, When and How: Understanding the Politics of Public Resource Management in Zimbabwe?

In the 1930s, an American political scientist by the name Harold Lasswell defined politics as a competition about who gets what, when and how? For Lasswell, the core of politics in developed democratic nations "rivets around the money - around the rate of taxation and utilization of collected money"[1]. This definition resonates with David Easton who regarded politics as the "authoritative allocation of values." Values in this regard refers to resources although in Easton`s view it was broad to include ideas and philosophies. To this end, it is clear that the administration of public resources is shrouded in politics even though this might be detrimental to national development and growth.

This narrative presents the sad reality of the Zimbabwean public resource management and can be substantiated by the government`s attitude towards the distribution of resources. Public resources are disbursed along partisan lines with the need to centralize power and strategically position the incumbent by giving him competitive advantage over the others.

On Sunday the 13th of February 2022, 2 ZUPCO buses one registered **AFJ 8894** were deployed to carry ZANU PF supporters to Arcadia for a political rally that was being held to mobilise support for Loice Magweba who is campaigning for Member of Parliament for Harare Central. The buses arrived at 10 am and spent the whole day parked only to leave at 4pm when the rally was over. A clear reflection of government's inability in value for money assessment and lack of care for its citizens as the buses could have been used to ease the transport crisis which has become the new norm in Harare Central Business. Thus, at a time when citizens are spending hours waiting for transport, buses are spending hours waiting for ZANU PF to finish their rally. Unequal distribution of public resources continues to manifest

[1] Harold Laswell. (1950). *Politics: Who Gets What, When and How*, New York, P Smith

along partisan lines and perpetuates inequality and unfair distribution of wealth projecting anomalies in social policies. To this end, ZIMCODD condemns the abuse of public resources and calls on ZUPCO to publish the invoice if the buses were indeed hired. Otherwise, the unavailability of the invoices attests to abuse of public resources.

3. A Far Cry from a World Class Education System

Zimbabwe once boasted of a world class education system that once produced results that were amongst the finest in Africa. Today, educational advancement in Zimbabwe is matched by an ebb, marked by ill-equipped teachers, dilapidated infrastructure, over subscription of children in schools, exorbitant fee increases. As schools opened last week, a lot of parents have been faced with unsubstantiated fee increases as well as absent teachers who did not report for duty since the school term began on the 7th of February 2022. The office of the Minister of State for Provincial Affairs and Devolution reported that it has been flooded by complaints from parents and guardians over unauthorized increase in school fees, charging of fees at parallel market rates, refusal of local currency payments, barring of school development committees, mismanagement of funds and failure to supply audited financials.

In recent years, there has been a swell of private schools in Zimbabwe that are operating unregistered, and these schools have not been following protocol leading to termly or yearly fee and levy increases without approval of the Ministry of Primary and Secondary Education and in breach of the Education Act Chapter 25:04. In terms of section 15 of the Education Act,

> "No person shall establish and maintain a school other than a Government school, unless it is registered."

Any person who contravenes this provision shall be guilty of an offence and liable to a fine not exceeding level six. The Ministry of Primary and Secondary Education has reported that well over four hundred unregistered schools are currently in operation in Harare. Some schools have taken it as far as profiteering from the COVID-19 pandemic by charging exorbitant fees as well as charging extra lesson fees, while schools were officially closed, which has furthered the education divide. These fees are charged solely in United States Dollars a currency that is unattainable for many as they earn in ZWL and live well below the poverty datum line (ZWL 45 000).

More and more teachers are opting to conduct private lessons, charged in US$, in their homes due to low wages. As a result, at government schools, there have been reports of teachers who failed to report for duty last week citing incapacitation. The Ministry of Primary and Secondary Education released a statement informing the public that those who absented themselves from duty since the opening of schools on the 7th of February have been suspended without pay for a period of three months. This suspension of teachers has, by extension, further suspended learning for students who attend government schools. The COVID-19 pandemic paralyzed Zimbabwe's already crippled education system and the teachers' strike has added an additional blow. At the Dakar Declaration (2000), Zimbabwe made a commitment to allocate 13.4% of its National Budget to the education sector. It is commendable that in the 2022 National Budget, Zimbabwe has fulfilled this commitment, however these funds must be used to advance the education system. Teachers in Zimbabwe have gone from earning approximately US$500 a month in 2018 to earning less than US$100 in 2022, due to high levels of inflation and the weakening ZWL.

Education in Zimbabwe is no longer an inalienable right guaranteed to every child in Zimbabwe, but it is now a privilege reserved for those who have. It is important that the government fulfils every child's right to education as enshrined in the Constitution. Furthermore, it is also important that government ensures this by paying its teachers fair wages as the ZWL continues under siege from the deflationary pressures associated with a weak foreign exchange market compounded by unsound fiscal and monetary frameworks – distorting the pricing regime, increasing the parallel market premiums beyond the prescribed 20% benchmark and the resultant negative exchange rate pass through responsible for the inflationary environment. Collectively, this undermines the confidence around the ZWL.

Surprisingly, the Government is at the forefront of 'ditching' the ZWL, preferring US$ payment for most public services such as passport fees, toll gate fees and taxes amongst many services. The ZWL has lost its lustre amongst businesses and Zimbabweans as the US$ progressively pronounces its dominance as the currency of choice. Despite the waning use and preference of the ZWL, government has retorted that the economy will never revert to the US$ given its negative effect on the competitiveness of exports among. However, after succumbing to pressure from unions representing teachers, the government undertook to pay US$175 after increasing their ZWL salary by 20%. Despite the paltriness of the US$ monthly award, the mere gesture of assenting to US$ salaries is a definite sign of re-dollarization of the economy. The offer to pay US$175 per month comes post the pronouncement by the Treasury Chief inclined towards promoting the use of the ZWL. Effectively, despite the intention to resuscitate the transactive power of the ZWL, such a pronouncement has failed well before its implementation as the same government has moved in to prop the US$ as a 'salarying' currency. The convulsions of policy inconsistency around currency reform continue to foment unstable pricing regime, worsening welfare for not only workers but Zimbabweans in general and an uncertain business environment. At this juncture, it is commendable if government officializes the use of the US$ instead of 'unofficially' paying salaries in US$ whilst maintaining that the economy has not re-dollarized.

4. Scramble for Zimbabwe's lithium mines gather momentum

It was revealed in the week under review that Zimbabwe's oldest lithium miner that has been operational since the 1ate 1950s, Bikita Minerals in Masvingo Province, would be acquired by a mining giant -Sinomine Resource Group. This is a subsidiary of state-owned China Nonferrous Metal Mining Company. The proposed deal in place is that through acquiring 100% of African Metals Management Services and Wilfried Pabst's Southern African Metals and Minerals of Mauritius, Sinomine will get control of a 74% stake the former owned in Bikita Minerals valued at US$180 million.[2] It is estimated that there are about 29.41 million tons of proven ore reserves. After considering the proposed buyout of other stakeholders to give itself 100% ownership, the value of the deal will be around US$243 million. If approved by the governments of China and Zimbabwe, this Bikita Mine deal becomes a second takeover of the Zimbabwe lithium mine by the Chinese in a space of fewer than 3 months. In December 2021, it was announced that a Chinese renewable energy giant, Huayou, acquired 100% shares of Australian Stock Exchange

[2] https://newzwire.live/chinas-sinomine-joins-queue-of-lithium-buyers-with-us180m-deal-for-bikita-minerals/

(ASE) listed lithium miner Prospect Resources' Arcadia hard-rock lithium mine for US$422 million. According to Reuters[3], Huayou is the world's largest cobalt miner, a key electric vehicle (EV) battery metal, using the latest 2020 statistics.

These lithium deals are solidifying the aspirations of China to become a global leader in the EV market through control of primary sources to avert supply disruptions. One should recall that the world is experiencing a seismic shift from fossil fuels to renewable energy in the fight against climate change and the country which emerges as the leader will ultimately reap massive economic benefits. Cognizant of this, the Chinese have and continue to acquire foreign lithium source markets, mostly from the developing world at an unprecedented rate. Statistics show that in the first 10 months of 2021, Chinese firms have acquired about 48% (6.4 million tonnes) of the world's lithium resources with a balance of 52% (6.8 million tonnes) acquired by all other global companies combined. And, given the massive global green shift, Zimbabwe is expected to become one of the largest beneficiaries as it is a leading producer of lithium ore in Africa.[4]

Some commentators have been arguing that the government should not offer mine to foreigners as it is not translating into benefits for most citizens. However, one should take note that most minerals are deep underground and huge investment in sunk costs should be incurred first before they are extracted. Unfortunately, the Zimbabwe government is facing a constrained fiscal space buttressed by high unemployment of factors of production, a dilapidating social sector, and a poverty-stricken populace. Cognizant of this status quo, it becomes a cumbersome task for the government to open, operate, and maintain all mines. More so, the mining sector requires a lot of capital, a challenge that can only be resolved by the easiness with which a company can access global capital markets. Zimbabwe is at a disadvantage in accessing global capital markets due to its record of failure to honor financial obligations when they fall due, policy inconsistency, institutionalized corruption, structural rigidities, and fragile politics among other factors. As such, there is a need to attract foreign investors to augment domestic investment.

Nevertheless, there is a concern around mining deals in Zimbabwe because there is a huge lack of exploration and geological survey data by the government. Minerals like lithium are strategic resources the country should leverage so that all citizens, born and unborn enjoy value. The undertaking of exploration gives bargaining power in the conclusion of these mining deals. It is also concerning to note that the deals involving strategic assets are also being concluded without the oversight of the people through the Parliament. ZIMCODD believes that the Parliament should take an active role to safeguard natural resources since it stands for the people through representative democracy. The continued trend of side-lining Parliament by the Executive in areas of national interest is equivalent to the embrace and solidification of the natural resource curse.

Furthermore, the details around taxes by miners are not clear. Given the magnitude of these deals and the weight they will give Zimbabwe in global green energy economics & politics, it is highly likely that more sweeteners will be given to companies like Sinomine and Huayou just as

[3] https://www.reuters.com/business/chinas-huayou-buys-lithium-mine-zimbabwe-422-mln-2021-12-22/
[4] https://www.theafricareport.com/149489/zimbabwe-looks-to-lithium-to-power-electric-car-revolution-and-its-economy/

was the case with other companies like Great Dyke Investments and Huawei, among others. If this is the case, then it will take time for revenue flows to Treasury to increase. As such, there is a dire need for the government to ensure a mining tax regime that favors not only the investor. The Parliament should be allowed to scrutinize and input in all deals that involve strategic assets like mineral resources. All mining deals should be sensitive to the existing environment and labor laws and mining revenues should be properly accounted for by public officials. The government should invest heavily in mineral exploration and geological surveys to establish the quantum of all minerals as this helps in determining the true value of a mine. Finally, the government should implore all investors, foreign and domestic, to seriously consider mineral beneficiation as the exportation of minerals in their raw form is tantamount to the export of jobs and reduction of foreign currency earnings.