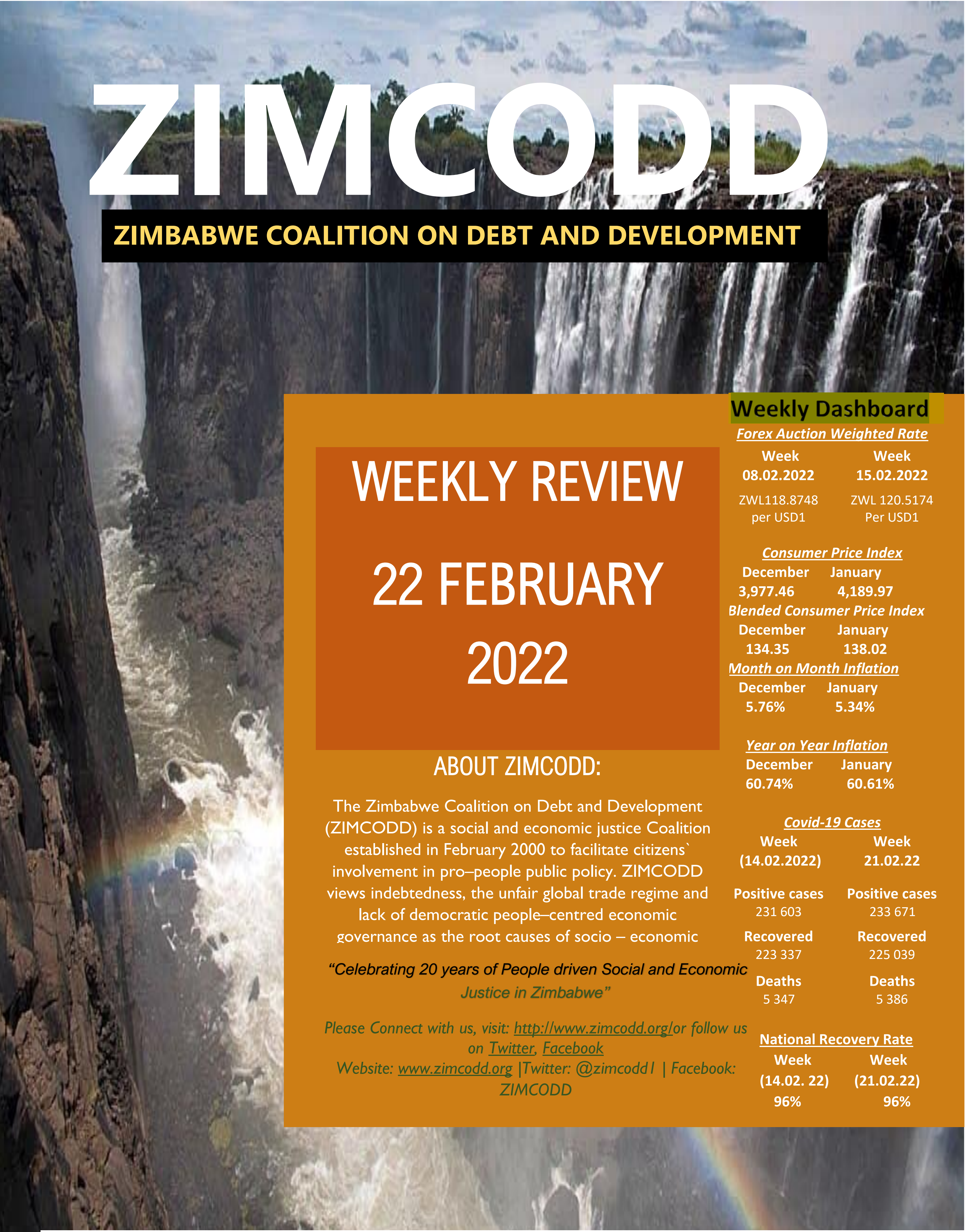


ZIMCODD

ZIMBABWE COALITION ON DEBT AND DEVELOPMENT

WEEKLY REVIEW

22 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"

Please Connect with us, visit: http://www.zimcodd.org/or follow us on Twitter, Facebook
Website: www.zimcodd.org |Twitter: @zimcodd1 | Facebook: ZIMCODD

Weekly Dashboard

Forex Auction Weighted Rate

Week 08.02.2022	Week 15.02.2022
ZWL118.8748 per USD1	ZWL 120.5174 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 (14.02.2022)	Week 21.02.22
Positive cases 231 603	Positive cases 233 671
Recovered 223 337	Recovered 225 039
Deaths 5 347	Deaths 5 386

National Recovery Rate

Week (14.02. 22)	Week (21.02.22)
96%	96%

Contents

1. International Re-Engagement: Road to Nowhere

The Council of Europe, through the Office of the General Secretariat of the Council released a press statement announcing the renewal of sanctions on Zimbabwe by the European Union (EU). EU sanctions were first imposed in 2002 by Common position 2002/145/CFSP in relation to the escalation of violence and intimidation of political opponents and the harassment of the independent media[1]. Measures adopted by the EU have chiefly comprised of an arms embargo against the Zimbabwe Defense Industries and targeted asset freezes, and travel bans.

The EU contends that democratic anomalies impede efforts to successfully initiate a re-engagement process. Examples of these democratic anomalies include the Private Voluntary Organisations Amendment Bill, the envisioned Patriotic Act, arrest of activists and growing human rights abuses. However according to the EU, 'international re-engagement must be anchored on democratic reforms which the president promised to initiate in 2017 when he took office and reiterated after the 2018 elections. The lack of urgency, political will and government`s unwillingness to implement the Motlanthe Commission recommendations remain a critical concern for re-engagement with the west.

The National Development Strategy 1 (NDS1), priority area 9 which focuses on "Image Building, Engagement and Re-engagement" outlines government's strategy to re-engage the International Community.

Below is a glimpse of government`s image building, removal of sanction and re-engagement performance vis-à-vis the targets it set in the NDS1.

Image Building

NDS1 KRA	KRA Variables[2]	Indicator/Measurement	Baseline	2021 NDS1 Target	2021 Actual Score
Image building, International Engagement and Re-engagement	Image building	Good Country Index	100/153	98/153	111
		Country Brand Ranking Global Travel and Tourism	120/189	116/189	To be updated
		Competitiveness Ranking	114/140	113/140	127
		Global Happiness index	146/191	136/191	148

[1] https://www.europeansanctions.com/region/zimbabwe/
[2] These are the disaggregated variables that are pinned to an objective.

Key Takeaways

- Zimbabwe seeks to boast and reignite her image through scoring better in Good Country Index which was at 100 out of 153 in 2019 with a target of being number 98 out of 153 in 2021. However, Zimbabwe`s efforts are not sufficient to bring about transmutation in her image as she failed to secure the 98th position. Zimbabwe actually, performed worse by becoming number 111 in 2021.
- In competitiveness ranking, Zimbabwe failed to meet the NDS1 target of scoring 114th out of 140 and became number 127.
- On the Global Happiness Index, the 2021 target was to become 136th out of 191. Nevertheless, Zimbabwe regressed to the 148th position.

The failure by Zimbabwe to attain and build good image in the international community is largely due to her image diplomacy approach which is elite-oriented (hiring lobbyist organisations[3]). The approach is not based on transforming Zimbabwe to improve in ratings such as: good country index, country brand ranking, global travel and tourism, competitiveness ranking and global happiness index but rather in trying to change the perception of the international community that there is transmutation taking place while nothing has changed.

International Engagement and Re-engagement

NDS1 KRA	KRA Variables[4]	Indicator/Measurement	Baseline	2021 NDS1 Target	2021 Actual Score
Image building, International Engagement and Re-engagement	International engagement & re-engagement	Country Risk Index	Grade CCC High Risk	Grade CC Medium Risk	Grade E. The highest-risk political and economic situation
		Removal of Sanctions	30%	100%	Failed dismally sanctions have been renewed twice since 2020
		Competitiveness Ranking	114/140	113/140	127

Key Takeaways

- The government failed to improve in international engagement and re-engagement as proven by the country risk index which has gone soar. The baseline target was grade CCC which is high risk while the targeted grade was CC which is medium risk yet she attained grade E which is the highest-risk.

[3] Zimbabwe Hires Trump-Linked Lobbyists to Try End Sanctions - Bloomberg

[4] These are the disaggregated variables that are pinned to an objective.

- On sanction removal, no sanctions have been removed, in 2021 the Biden administration renewed sanctions on Zimbabwe a clear testimony that the government has not made any effort with respect to sanction removal process. According to the USA President, Joe Biden, Zimbabwe has failed significantly to initiate a re-engagement process as there is explicitly "*absence of progress on most fundamental reforms needed to ensure the rule of law, democratic governance and the protection of human rights*"[5].
- On competitive ranking the baseline target was 114 while the 2021 target was 113. However, in all cases Zimbabwe failed to satisfy the NDS1 competitive ranking target by scoring 127.

Zimbabwe`s image building and re-engagement process continues to be off the rail owing it to several dynamics that attests to the assertion that, Zimbabwe`s international re-engagement is a road to nowhere. Thus, is it anchored on utopianism, until and unless government re-aligns its promises and performance.

If re-engagement is to be fruitful the government must consider adopting the following measures:

- Zimbabwe must implement political and security sector reforms.
- Rather than hiring lobbyist companies, the government should channel those resources towards public service delivery a move that is likely to increase Zimbabwe`s happiness index as citizens are responsible for answering survey questions.
- If the government of Zimbabwe is to improve on good country index, it must uphold the rule of law, rejuvenate public service delivery including social amenities as the well-being of Zimbabwean is central to positive image building.

2. Government Doubles Vehicle Licensing Fees

The government through the Zimbabwe National Roads Administration (ZINARA) passed Statutory Instrument (SI) 29 of 2022 – immediately hiking vehicle licensing and registration fees by close to 100%. This is in spite of growing discontent over increasing cost of living linked to the loss in value of the ZWL, paltry salaries, and the distortionary and faulty Foreign Currency Auction Market.

Vehicle Mass	'Old' License Fee (4 months)	'New' License Fee (4 months)	Percentage Change
Up to 1500kg	1800	3240	80%
1501-2250kg	2550	4590	80%
2251-3000kg	3000	5400	80%
3001-3750kg	6000	10800	80%
3751-4250kg	7500	13500	80%
4251-5000kg	9000	16200	80%
5001-5750kg	10000	18000	80%

[5] US's Biden extends sanctions on Zimbabwe - Power FM

5751-6250kg	10500	18900	80%
6251-7000kg	12000	21600	80%
7001-7750kg	12900	23220	80%
7751-9250kg	13800	24840	80%
9251-10000kg	14800	26640	80%
10001-10750kg	19750	35550	80%
10751 and above	30000	54000	80%

The vehicle license hikes come after vehicle insurance premiums were increased in January 2022 by the Insurance Council of Zimbabwe (ICZ). These increases are justified on inflation and exchange rate movements. As if in concert with ZINARA and ICZ, local authorities such as the Bulawayo City Council (BCC) hiked their service charges by at least 150%, and a maximum of 625%.

These developments are not in sync with government's salary adjustment of 20% for civil servants who have resorted to industrial action, regressive service or a declaration of incapacitation. The insurance premiums and vehicle licensing fees add to transport cost of goods and services thereby further disenfranchising the ordinary Zimbabwean. To make matters worse, fuel for the ordinary man is in USD, whilst the Auction market is not open for individuals. The state of roads remains fatigable despite the increase in vehicle licenses. Government must consider the welfare of the ordinary citizen and increased stimulus support for productive sectors including Small to Medium Enterprises to remain viable in a highly inflationary operating environment.

3. Zimbabwe By-Elections: Why We Should All Participate

By-elections have been scheduled for 26 March 2022, through Statutory Instrument 2 of 2022, to fill a total of 133 elective vacancies, comprising of 28 parliamentary seats and 105 council seats. These vacancies came about as a result of recalls and deaths. According to section 159 of Zimbabwe's Constitution, whenever a vacancy occurs in any elective public office, the authority charged with organising elections to that body, i.e., Zimbabwe Electoral Commission (ZEC), must cause an election to be held within ninety days to fill the vacancy. The same is echoed in section 39 of the Electoral Act.

In 2020, the removal of Members of Parliament (MPs) left several constituencies, provinces, and wards without representation whilst electoral activities were suspended due to the COVID-19 pandemic. Legally, there is no obligation for political parties to consult citizens before recalling an MP, which impedes on citizens' right to duly elect a candidate of their choice to represent them and undermines democracy. Under democratic rule, governments can only be deemed as representative; if elections are freely contested; participation is widespread and if citizens enjoy political liberties and governments act in the best interest of the people. This has not been the case as by-elections remained barred despite calls from political parties, civic society and the diplomatic community for the government to hold the polls. Suspension of by-elections was not in accordance with the law.

By-elections are a step in the right direction in terms of participatory democracy. However, the lack of implementation of electoral reforms continues to undermine the prospects of free, fair and credible elections. The scheduled by-elections therefore present an opportunity for citizens to democratically elect their representatives in parliament. It is important to remember that elections make fundamental contributions to democratic governance, which must be conducted through representatives i.e., MPs and councilors. Elections enable voters to select their leaders and to hold those leaders accountable for their performance in office. Accountability is undermined when citizens are governed by leaders they did not elect; thus, it is important to ensure the responsiveness of democratic governments to the will of the people through voting.

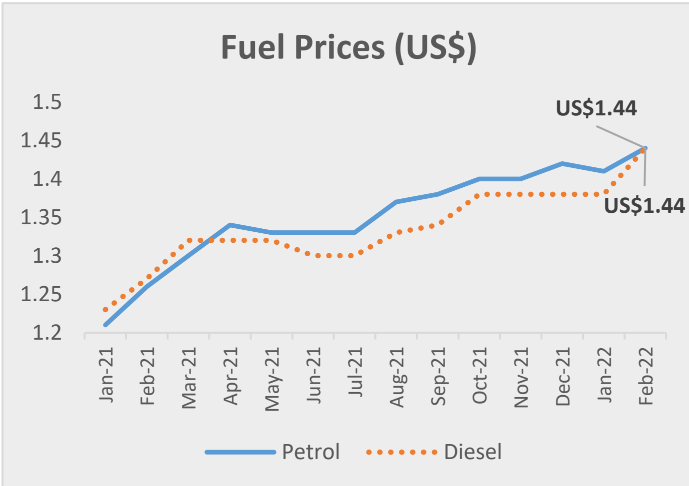
Although, by-elections traditionally draw a lower voter turnout than the general harmonised elections, this time, it is important that people register and turn up to vote in their numbers as we have witnessed the detrimental effects of lack of parliamentary representation and the absence of councilors to represent the people. The will of the people expressed freely through authentic elections is the foundation for the authority of democratic government. The right of citizens to participate in government and public affairs and the rights to vote are not only enshrined in the Constitution but are also recognized in the Universal Declaration of Human Rights to which Zimbabwe is signatory. Zimbabweans, more so women and youth, must go out and vote in their numbers and be heard as they remain poorly represented at a time when their participation in political decision making is most needed. By exercising their right to vote, Zimbabweans can finally have a say in who gets to represent them while also voting against corruption, abuse of power, the absence of rule of law and human rights abuses.

4. Inflationary Pressures Harm Average Zimbabwean Consumers the Most

In the week under review, the Zimbabwe United Passenger Company (ZUPCO) announced an upward review of fares for local trips to be paid by the commuting public. For a 20 kilometers local trip by bus, commuters have to fork out ZWL80 which is a 60% increase from ZWL50 while commuter omnibuses (kombis) under the ZUPCO franchise are now charging ZWL100. As for distances between 21-30 km, ZUPCO is now charging ZWL100 for buses up from ZWL80 whilst kombis are now going for ZWL120. Also, for longer local distances (31-40 km), the new fare for buses is now ZWL120.

In light of the foregoing, it is difficult for one to grasp Zimbabwe Treasury and Reserve Bank of Zimbabwe (RBZ)'s narrative that the macroeconomic fundamentals such as the exchange rate and price level (inflation) are in good shape.

Recently, Zimbabwe Energy Regulatory Authority (ZERA) reviewed prices of fuel upwards with a litre of diesel going up by 4.3% to US$1.44 from US$1.38 whilst petrol jumped by 2.15% from US$1.41 to US$1.44 per litre. The prices of fuel have been on an upward trend since January 2021, a development that has negative trickle-down effects on the entire economy. A comparative analysis by ZIMCODD has shown Zimbabwe having one of the highest fuel prices in the SADC region with a litre of diesel being US$0.42 above the regional average and US$0.30 above the global average. As for petrol, the maximum pump price in February is US$0.35 above the SADC average and US$0.20 above the global average price.



Given the highly intermittent electricity supply since 2019, businesses are being forced to use expensive energy alternatives. This has a huge bearing on the domestic cost of production thus fueling price inflation and rendering domestic manufacturers uncompetitive.

Due to increased load-shedding schedules by ZESA especially in high-density suburbs where the majority of poor people reside, households are forced to use substitutes like liquefied petroleum (LP) gas. Presently, LP gas is relatively cheaper in forex as businesses are charging punitive local (ZWL$) prices. Most citizens are largely earning in local dollars, a currency that has struggled to maintain its value since it was introduced in 2019.

Zimbabweans are facing a dire cost-of-living crisis as they are struggling to make ends meet. The state of public service delivery is deplorable with vulnerable groups experiencing rising and now unaffordable health care, education, water, and housing cost among others. Rampant growth of general prices is linked to the continuous massive depreciation of the ZWL, particularly in the parallel market. This is due to the incessant money supply growth coupled with an inefficient and corruption-infested exchange rate determination mechanism (RBZ auction). In this regard, meaningful currency reforms are a big part of a much needed complimentary fiscal and monetary policy basket of reforms. This basket must also embrace stimulus measures to enhance productivity; fair worker compensation; stronger regulation of monopoly interests in key sectors and price caps to prevent arbitrary increases in prices for basic goods and services.

5. Policy measures must reflect the reality of a predominantly dollarized Zim economy

While authorities are adamant that the macro economy is stable, their actions reflect otherwise. For instance, the recently announced 2022 Monetary Policy contains a range of policy stances like the maintenance of a high RBZ policy (interest) rate, high reserve requirement ratio for demand deposits, and a lower quarterly reserve money growth target of 7.5%. These measures confirm that the ZWL$ is under excessive depreciation pressure. Further, the announcement that civil servants' salaries will be partly paid in forex shows that authorities are now realizing, though slowly, that the economy has largely re-dollarized.

Therefore, for the sake of economic progression, alleviation of extreme poverty & poverty prevalence, and income inequality especially among the youths and women who constitute a larger portion of the total Zimbabwean population, it is high time authorities pursue re-dollarization. Some economic analysts and politicians are against this policy move as they reiterate the need for a monetary policy leg to help authorities in economic management. While this holds true in a proper functioning stable economy, Zimbabwe has demonstrated history of failure to utilize monetary policy tools for the betterment of the lives and livelihoods of its citizens. The citizens continue to lose their lifetime savings (refer to the 2008 hyperinflation and 2019 failed currency reforms) as a result of imprudent monetary policies buttressed by the Treasury's fiscal indiscipline and public corruption. A currency should be backed by consistent and prudent economic policies, a competitive industry, constructive politics, and not by command economics where the state dictates what should be produced, the exact quantity, for who, and at what cost.