

# ZIMCODD

ZIMBABWE COALITION ON DEBT AND DEVELOPMENT

## WEEKLY REVIEW

I March  
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 crises in Zimbabwe and the world at large.

*“Celebrating more than 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](http://www.zimcodd.org) | Twitter: [@zimcodd1](#) | Facebook: [ZIMCODD](#)

### Weekly Dashboard

#### Forex Auction Weighted Rate

Week	Week
15.02.2022	22.02.2022
ZWL120.5174 per USD1	ZWL 124.0189 Per USD1

#### Consumer Price Index

January	February
4,189.97	4,483.06

#### Blended Consumer Price Index

January	February
138.02	142.28

#### Month on Month Inflation

January	February
5.34%	7.0%

#### Year on Year Inflation

January	February
60.61%	66.1%

#### Covid-19 Cases

Week	Week
(21.02.2022)	27.02.22
Positive cases 233 671	Positive cases 235 975
Recovered 225 039	Recovered 226 069
Deaths 5 386	Deaths 5 394

#### National Recovery Rate

Week	Week
(21.02. 22)	(27.02.22)
96%	96%

## Contents

1. The PVO and Road to Authoritarianism.....	1
2. Health Workers Down Tools.....	2
3. Election Observation Critical In Advancing Free, Fair, Non-violent Elections .....	2
4. Corruption: A stumbling block towards the attainment of effective social service delivery .....	3
5. Inflation - a tax on the poor!.....	5

## 1. The PVO and Road to Authoritarianism

The philosophical foundation of the Civil Society is largely expressed in the works of the 50 Major Political Thinkers by Ian Adams and R W Dyson particularly the works of Hegel. In Hegel terms, the upsurge of individualism, articulated in numerous aspects of Roman civilisation (the rule of law), and the rise of Christianity, conveying the individual conscience, were the opposite of the close moral unity of the Greek polis. This growth of individualism eventually culminated in the development of civil society and the social and economic individualism represented by Locke, Adam Smith and Kant. The rise of commercial societies, such as Britain and Holland in the seventeenth century, saw the state conceived in terms of individuals bound together by contract: that is, in terms of civil society.

In ZIMCODD terms, civil society is that democratic space that creates a conducive environment for the success of all democratic processes and tenets. It is an environment embedded with robust citizen engagement, checks and balances with respect to governments` dealings<sup>1</sup>, viable public hearings and consultative forums which are all critical in social contract. The Zimbabwean civil society functions as a hub and gateway of democratic engagements, transparency, and accountability in a quasi-totalitarianism environment. It is critical in amplifying the voice of the masses in their quest for social and economic justice. To this end, the success of the civil society in Zimbabwe is imperative in the attainability of a viable democratic nation.

Nevertheless, the success of the civil society in Zimbabwe is a threat to the incumbent government as it enables the public to measure governance policies<sup>2</sup> and successes vis-à-vis the promises and constitutional mandate of creating a just and effective community anchored on rule of law and viable public service delivery. Thus, civil society enables Zimbabwean communities to measure and determine if the government is fulfilling its constitutional obligation which automatically becomes a threat if it is not.

As the nation heads for the 2023 elections, fears by the government of the growing influence of the civil society have been reflected through a repressive Private Voluntary Organisation (PVO) Amendment Bill. The PVO amendment bill is an attempt to shrink the civic space and eliminate any form of social audits and accountability by the citizens. It is a violation of the concept of social contract by which the modern-day state is premised on as it is embedded with clauses that seeks to further a despotic agenda by interfering with the operations of PVOs. Thus, the PVO amendment bill is the highway to autocracy and monocracy as it impedes on robust political

---

<sup>1</sup> Ensuring transparency and accountability in governance

<sup>2</sup> For example, the Transitional Stabilisation Programme, National Development Strategy 1

participation. The ongoing public hearings and consultative forums are nothing, but a gloss-over process calibrated to create a pseudo democratic process. This is in contrast with the reform agenda gospel that the government is preaching. ZIMCODD therefore, calls on the government to abolish the PVO amendment bill if it is to fulfil priority 8 of the NDSI which focuses on Image Building, Engagement and Re-engagement.

## **2. Health Workers Down Tools**

The yet to recover health sector is facing another industrial action as from the 25<sup>th</sup> of February 2022 as doctors, radiographers, nurses, and other medical experts declared incapacitation. The health sector had a grueling and protracted industrial action in 2019 leading to the suspension of medical practitioners, the subsequent decline in the health service provision and an exodus of health care workers. In 2021, Zimbabwe lost 2200 health workers further afflicting an ailing and ill-resourced sector facing basic drug shortages and malfunctioning medical equipment. Health indicators have worsened given the increase in number of women dying whilst giving birth and newly born children that die at birth. The declaration of incapacitation follows the education sector's downing of tools which saw a false start of the First Term in 2022 as educators failed to report for duty. Threats to suspend teachers has not yielded the anticipated resume of classes and in instances where teachers show up, they do not teach – further disrupting learning progress for children whose learning has been battered by COVID-19 lockdowns dating back to 2020.

Access to private health care and enrolling children at private schools out-prices the majority of Zimbabweans who are paid in ZWL. Teachers and health care workers are demanding USD salaries as the ZWL is volatile and keeps losing value given the weak macro-fiscal framework. The government's proposed 20% salary increment for civil servants does not tally with most government services whose fees have been revised by more than 100%. Local authorities have also hiked their service fees according to the newly authorized budgets for city councils, Bulawayo being a case in point. The increase of fuel prices further discounts the buying power of salaries that are already below the poverty datum line. It is worth considering living salaries for all civil servants if service delivery and social justice is to be restored in a nation dithering towards a failed state. Its high time government settles outstanding industrial action to quell service delivery.

## **3. Election Observation Critical in Advancing Free, Fair, Non-violent Elections**

Zimbabwe's pre- and post-election period has a history of violence, arrests, intimidation, and election rigging which undermines democracy by substituting freedom of choice with coercion and by deterring participation. As the country heads towards the March 26 by-elections, Zimbabwe Electoral Commission (ZEC) has been urged by various organisations to engage independent observers to monitor elections as well as examine the voters roll as a means of establishing confidence in the electoral process. ZEC has been slated for having an erroneous voters roll after activist groups and individuals such as Team Pachedu published irregularities on the roll, with individuals citing that upon checking their information, their addresses or polling stations had been changed. ZEC's functions are listed in section 238 of the Constitution, one of its functions being to ensure that elections are conducted efficiently, freely, fairly, transparently and in accordance with the law. This can be achieved through independent election observation.

Election observation is a useful method for enhancing election quality. Observers contribute to public trust in the integrity of electoral processes. Observation can aid in the promotion and protection of voters' civil and political rights. Even while an election is in progress, it can lead to the correction of flaws or poor practices. It has the potential to deter manipulation and fraud, as

well as disclose such issues if they arise. When observers can offer positive assessments, it increases trust in the democratic process and strengthens the legitimacy of governments formed as a result of elections. Domestic election observation increases public participation in the political process. Following elections, observer organizations' reports and recommendations can lead to changes and improvements in national laws and policies.

Election observation that is carefully planned and carried out can also help to strengthen the implementation of women's rights and increase their involvement and participation in electoral processes. An examination of how all aspects of an electoral process influence women and men should be included in a comprehensive observation in order to ensure that their needs are addressed, not only in the election process, but through the elected representatives. Observation activities can focus on various areas of women's electoral participation, such as the number of women registered to vote, selected representative candidates, accessibility of polling stations to women, among others. Women should have the same opportunities to observe as men, therefore, observation can help to draw more women into the political process.

The weakness of the electoral management body, ZEC, contributes to the lack of confidence in electoral process. Strengthening electoral management bodies through election observation by other independent bodies reduces the chances of voter apathy, increases participation, and contributes to free and fair non-violent elections. ZIMCODD continues to reiterate that elections and other political processes are pivotal to the quality of a country's governance and can either greatly advance or set back a country's long-term democratic development. It is therefore important to prioritise independent, accredited election observation that provides technical leadership and support on elections, political processes and democratic political transitions.

#### **4. Corruption: A stumbling block towards the attainment of effective social service delivery**

In development discourse, corruption is seen as a cancer for both economic recovery and sustainable development. Corruption can be defined as violation of formed rules governing the allocation of public resources by officials in response to offers of financial gain or political support. Transparency International Zimbabwe has defined corruption as abuse of entrusted power for private gain. World Bank has also defined corruption as abuse of public office for private gain. The development challenges being faced by Zimbabwe at the moment are chiefly being necessitated by the endemic nature of corruption where public officials are not being held accountable by the present government. Since the coming in of the new dispensation into power in 2017, President Mnangagwa made commitment towards fighting corruption. Government undertook various initiatives such as instituting anti-corruption courts across all ten provinces, establishing ZACC with arresting powers, listing of rogue companies who externalized public funds among other measures. However, despite this reform agenda and all these measures being put in place corruption continue to rack havoc in all the economic pillars of Zimbabwe with the latest corruption case being the Covid gate scandal which involved US\$60 million by the former minister of health Obadiah Moyo, the DRAX scandal through Delish Nguwaya, Henrieta Rushwaya attempt to smuggle 6kgs of gold outside the country. This is evident that the current efforts to genuinely fight corruption are just on paper and do not speak to the practical efforts on the ground. The lack of political will by the executive has also rendered institutions to fight



corruption a toothless dog. Zimbabwe continues to rank poorly on the Transparency International corruption perception index. The latest CPI score in 2021 ranked Zimbabwe 23/100 on scale of 0-100 where 0 is the most corrupt country and 100 is the least corrupt. Zimbabwe continues to be in the red zone, and it speaks volumes about how the government is not prepared to deal with corruption. The manifestations of corruption in Zimbabwe were also revealed by the 2019 findings of the Auditor General's Reports which include the following: unsupported expenditure, violation of laws and procedures, unreconciled expenditure, payments for goods not delivered, non-servicing of loans as well as unauthorized transfers of funds. This has resulted in low investment towards social service delivery particularly on the realization of socio and economic rights as enshrined in Chapter 4 of the constitution. To mention a few, these rights include the right to health, water and sanitation as well as the right to education. This write up seeks to analyze the impact of corruption on government spending and the realization of socio and economic rights of citizens.

Zimbabwe is losing US\$2 billion to corruption annually according to a study by Transparency International Zimbabwe.<sup>3</sup>The constitution which is the supreme law of the country lays the foundation and principles that guides all aspects of public finance management. Of interest is section 298(a) which explicitly states that there must be transparency and accountability in public finance matters. However, this has not been the reality on ground. Instead, the lack of these two anchors mentioned above in public finance management system has nurtured a breeding ground for corruption and misuse of public funds by those in power.

### ***Cases of Corruption in Zimbabwe: Implications on Social Service Delivery***

Corruption has become a common and normal phenomenon in Zimbabwe. There has been no genuine commitment to combat corruption, nothing has not really been done in bringing the culprits to account as it has become a catch and release show. The findings of the Auditor General report have revealed rampant cases of corruption in both governments owned enterprises and parastatals. It is important to note that government spending towards social service delivery such as education, healthcare, social protection as well as water and sanitation is an important and valuable way towards the realization of citizen's socio and economic rights including the rights of vulnerable groups such as the elderly, women and people living with disabilities. Chapter 4 of the Constitution of Zimbabwe mandates the government to take all practical measures within the limits of the resources available to it to achieve the progressive realization of rights. However, it is ironic to note that resources mobilized through taxation and other resource mobilization efforts has not translated anything meaningfully to the realization of social and economic rights due to grand corruption. The social contract that exists between government as duty bearers and citizens as right holders is eroded due to low investments of government towards social service delivery leading to violation of fundamental human rights as well as a vicious cycle of poverty. Indicators of the current social service delivery covering health, education, social protection among others are in a dire state and incapacitated to deliver basic services to the citizens. Corruption has been the major stumbling block depriving citizens to fully enjoy their

---

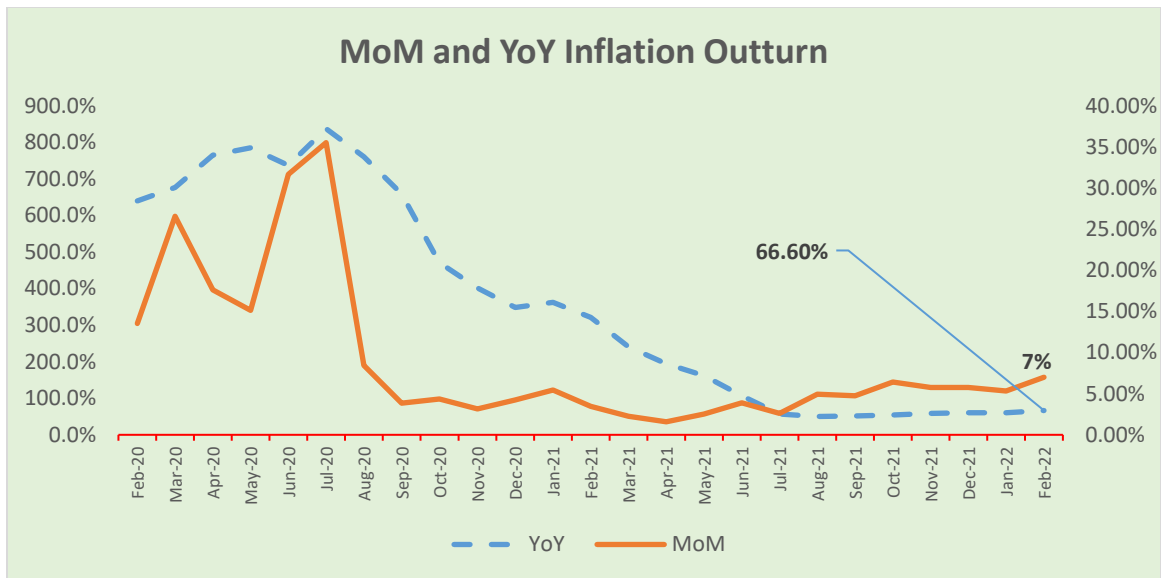
<sup>3</sup> Refer to the Gendered Corruption Barometer and Corruption Impact Analysis on Tax Administration and Revenue Mobilization by TI Z 2020. <https://www.theindependent.co.zw/2020/01/24/us2bn-lost-to-graft-annually/>

rights. A case for concern is the Drax International LLC which reported to have been awarded a contract of PPE worth US\$987 720 against a local market value of US\$325 000. This case illustrates endemic levels of corruption that flouts procurement rules and regulations. Another case is the USD\$4.9 million and US\$562 thousand paid to Pito Investments by two subsidiaries ZETDC and the Zimbabwe Power Company for transformers not delivered dating to as far as 2010 and this is done at a time when citizens are battling with excessive power cuts. This failure to supply electricity has negative impacts on citizens as the burden to look for alternative sources of power supply is passed on them. Another case is National Social Security Authority (NSSA) audit report which exposed shocking corruption, fraud, criminal abuse of power that saw the authority being prejudiced of more than US\$175 million. These are resources that could have been invested in critical sectors such as health and social welfare to cater for critical drugs and health equipment and the cushioning the vulnerable groups in mitigating the impacts of the COVID 19 pandemic.

Corruption remains the underlying cause of underdevelopment and economic recovery in Zimbabwe. There is need for government to show commitment towards combatting corruption by showing transparency and accountability in the administration of public funds. There is also need for government to enact deterrent measures that are expensive for public officials who would have abused public funds. Government of Zimbabwe need to draw lessons from other African for This will ensure that government is able to meet social service delivery and the realization of socio and economic rights.

#### **5. Inflation - a tax on the poor!**

In the week under review, Zimbabwe National Statistics Agency (ZimStat) released February 2022 inflation statistics which showed that on a year-on-year basis (Feb 2021-Feb 2022), price inflation increased by 66.1% compared to an increase of 60.6% realized in the preceding month (Jan 2021-Jan 2022). This is the highest increase in annual terms since June 2021 when ZimStat recorded an inflation level of 106.64%. From a month-on-month (MoM) perspective, that is, from Jan 2022 to Feb 2022, prices mounted by 1.7 percentage points on 5.3% that was realized between Dec 2021-Jan 2022 to 7%. This February MoM inflation rate of 7% is the biggest monthly outturn in 18 months, that is, since August 2020 when the monthly outturn came in at 8.44%.



Source: ZimStat, ZIMCODD Research

In the latest 2022 Monetary Policy released early February 2022, the monetary authority (RBZ) is expecting MoM inflation to be reduced in the first quarter (Jan-Mar) to below 4% and to average below 3% in the second half of the year (Jan-June). Below is an extract from the Monetary Policy Statement (Page 64):

*“More specifically, the envisaged sustained tighten monetary policy stance will go a long way in anchoring price spectrums in the economy. As a result, month-on-month inflation is expected to be reduced to below 4% in the first quarter of the year and to average below 3% in the second half of 2022. This path is expected to reduce the country’s annual inflation rate to a range of 25-35% by end of December 2022 ....”*

Going by RBZ’s template, price inflation should average 4% in Q1:22 while the reality shows that in the first 2 months of Q1:22, price inflation has averaged 6.15%. Then, looking at the current exchange rate developments, it is clear that inflation pressures remain elevated in the outlook thus making RBZ’s projections over-ambitious. The Bank continues to fail to meet its projections yearly since 2019 because its views are detached from reality.

How can the Bank expect inflation to moderate in the near term when it is not addressing the chief driver of prices since 2019? ZIMCODD analysis shows that massive exchange rate deterioration being experienced particularly in the parallel market is destabilizing the economy. Currently, parallel market premiums are hovering above 80% way above the global benchmark of 20%. The Bank’s auction market is just catering for the formal sector and selected few individuals, yet the informal economy is the largest sector in Zimbabwe constituting over 60% of the economy. Also, because the economy is now re-dollarizing fast, there is increased households demand for forex, and this is being satisfied in the expensive alternative markets. Businesses are now preferring the greenback over the local currency as evidenced by massive discounts for those buying using forex and punitive prices for those transacting in local currency. Even those companies that are directly accessing forex from RBZ at an overvalued rate are benchmarking

their ZWL prices at the parallel market rate. All this shows that the Zimdollar depreciation pressure is here to stay as both businesses and the public are lacking both confidence in ZWL as a store of value and trust in the authorities.

The auction market is benefiting corporates, especially importers at the expense of taxpayers like exporters. In the current RBZ exchange regulations, exporters are obliged to involuntarily cede 40% of their export receipts in exchange for fragile Zimdollar. There is also room for arbitrage - making riskless profits- for those getting RBZ forex as they can trade it in alternative markets at a lucrative price. In the end, it is the average citizens that are being disproportionately affected as they face exorbitant shelf prices of basic necessities. Most Zimbabweans are earning in local currency and the salaries especially for civil servants are now valueless.

Recently, the government hiked public servants' salaries by 20%, that is from an average of ZW\$30,000 to ZW\$36,000. Although a part of this salary is paid in forex, the 2022 tax policy sets out that for tax collection, taxes for ZWL earnings will be converted to US dollars. Even if the government comes up with an exception to this, the hiked salaries still fall short of the Poverty Datum Line (PDL) for an average urban household of 6. Using conservative ZimStat statistics, February 2022 PDL was estimated at ZWL54,864, a 7.6% jump from ZWL50,976 recorded in the prior month. Ironically, the government is reviewing prices upwards in line with the inflation level (and competing with the private sector is doing so) but continues to keep salaries sticky upwards. For instance, ZUPCO, a parastatal, recently hiked bus fares for all local trips. Pitifully, ZUPCO was granted a monopoly in the local transport sector by the government in 2020 under the guise of fighting the COVID-19 pandemic. The same can be said for ZERA, an energy regulator that has been hiking fuel and gas prices since January 2021.

Therefore, the current level of black-market premiums shows that the government's exchange rate determination mechanism is inefficient and in need of a complete overhaul. There is a need for transparency in conducting this market and it should meet the forex demand of the whole economy. But be that as it may, the current rate the economy is re-dollarizing since the beginning of 2022; the rate the government is on a US dollar fishing expedition through tax policies; and the northward direction ZWL prices are taking without showing any signs of slowing down, the public demand authorities to fully adopt a re-dollarization policy to stabilize the macroeconomy and reduce poverty & poverty prevalence. Inflation should be addressed otherwise it continues to be an additional tax on the poor who have a high marginal propensity to consume because a large proportion of their incomes is spent on current consumption as opposed to the rich who have more income, but they spend less.