

# ZIMCODD

ZIMBABWE COALITION ON DEBT AND DEVELOPMENT

## WEEKLY REVIEW

29 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 20 years of People driven Social and Economic Justice in Zimbabwe”*

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### Weekly Dashboard

#### Forex Auction Weighted Rate

Week	Week
15.03.2022	22.03.2022
ZWL134 0820 per USD1	ZWL 138. 1979 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
(21.03.2022)	28.03.22
Positive cases 244 685	Positive cases 245 927
Recovered 234 895	Recovered 237 295
Deaths 5 429	Deaths 5 438

#### National Recovery Rate

Week	Week
(21.03.22)	(28.03.22)
96%	96%

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### I. Government to appoint Sovereign Wealth Fund Board

The Treasury Chief announced that the Government of Zimbabwe (GoZ) was in the process of setting up a Board to manage the affairs of the soon-to-be resuscitated Sovereign Wealth Fund (SWF) after a ten-year dormancy. According to the Minister, the SWF is to be financed through state revenue from the government's shareholdings in mining ventures and fiscal surpluses. Other assets such as gold, coal, oil and gas are proposed as additional assets under the SWF. SWFs are typically structured to set aside resources to benefit the economy and future generations. Though a norm for most developed countries, SWFs are now a common phenomenon for developing countries as sound governance of resources is filtering into these economies. Despite the rosy side of SWFs, the question is: is Zimbabwe's SWF going to be successful given that it once failed and the same governance philosophy that existed by then still subsists? The following facts are vital in assessing the feasibility of the Zimbabwean SWF:

- i. **The debt question:** Zimbabwe's public debt is drawing close to 100% of GDP, an indication that debt is unsustainable. Already, the government missed white farmers' compensation date as it could not pay US\$1.75billion. It defies logic that the same government is setting up a SWF with 'excess' resources whilst it is failing to service its debt! It is better to extinguish public debt and start saving.
- ii. **Illicit flows of minerals:** Zimbabwe loses a lot of resources in the mining sector as archaic governance rhetoric are yielding massive revenue losses through smuggling of minerals. This significantly reduces the resources that can be used to fund the SWF. Mining continues to exist under clouded terrains as the mining cadastre system remains work in progress for years on end.
- iii. **Corruption:** Funds were looted from most of Zimbabwe's institutions such as ZIMDEF, NSSA, ZINARA through grand corruption. The setting up of the SWF is a threat to the nation as it merely points to the gathering of resources for easy looting by the government's kins and kith. It is imperative for the government to nip corruption first before the SWF can come into being.
- iv. **Erratic growth:** The trajectory of economic growth in Zimbabwe is not sustainable to an extent that the economy cannot produce surpluses consistently into the future as a way of financing the SWF. Almost all sectors are not performing, and industrialization remains a dream and key infrastructure supportive of industrialization and sustainable growth is defunct. It is key for government to invest in structural transformation and turn around the economy before launching the SWF.
- v. **Binding Fiscal space:** Government borrows to finance expenditure yearly, thus running a budget deficit continuously. Budget deficits imply that the government doesn't have

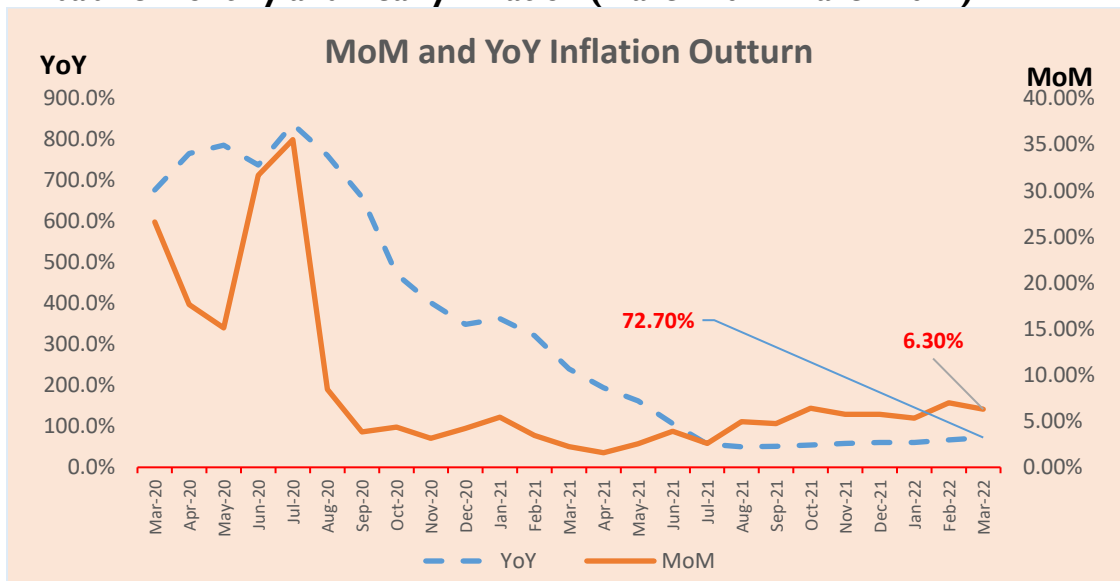
enough resources to finance its recurrent and capital expenditure. Certainly, under these circumstances, a SWF is unjustified.

- vi. **Poor social service delivery:** an SWF literally means setting aside resources for future use. However, the question that many have in mind is that, can Zimbabwe set aside funds when its health sector is in shambles? The education sector is reeling from an aged industrial dispute that has seen teachers attending to classes on selected weekdays and the government has failed to pay teachers handsomely. Waste disposal, portable running water, social safety nets, sewer overflows and power outages remain a challenge that require urgent government action through adequate financing. Taking resources to a SWF whilst neglecting the needs of the Zimbabwean people is a dis-service to the society.

## 2. Price Inflation Spirals Out of Control

In the week under review, the Zimbabwe National Statistics Agency (ZimStat) published inflation statistics for March 2022. These official statistics showed price inflation increasing by 72.7% for the year-on-year (March 2021-March 2022) from an increase of 66.1% realized in February 2022 (Feb 2021-Feb 2022). From a month-on-month (MoM) perspective, prices increased by 6.3% in March 2022, a decline of 0.7 percentage points from an increase of 7% realized in February 2022.

### Zimbabwe Monthly and Yearly Inflation (March 2021-March 2022)



Source: ZimStat

The figure above shows that authorities are losing control of general prices. Generally, annual inflation and parallel market exchange premia should not exceed 10% and 20% for one to talk about macroeconomic stability with respect to currency and prices respectively. In October 2020, the Minister of Finance announced that Zimbabweans would get cheaper goods in shops “very soon”. Again, in July 2021, the minister announced that price inflation will close the year at 35%.<sup>1</sup> However, granular analysis of data characterizes the statements from authorities as mere rhetoric. At 60.74%, December 2021 annual inflation was almost double the projections from

<sup>1</sup> <https://www.263chat.com/annual-inflation-to-close-year-at-35-percent-mthuli-ncube/>

both the Treasury and Reserve Bank of Zimbabwe (RBZ) as well as being the highest in the Southern Africa Development Community (SADC region).

As for 2022, the authorities are projecting price inflation to close the year in a range of between 25-35%. According to the Monetary Policy Statement released by RBZ in early February 2022, prices were projected to grow by an average of below 4% in the first quarter of the year (Q1:22) and to average below 3% in the first half to June 2022. Following a historical trend of missing targets, RBZ projections were off-guard as price inflation averaged 6.2% in the Q1:22. This was expected given the initial conditions of inefficient exchange rate determination mechanism (auction market system) as shown by parallel market premia hovering above 80% and excessive market liquidity (ZWL) as shown by a 134% annual growth of broad money as of December 2021. These have been the key drivers of exchange rate depreciation and rampant inflation since the re-introduction of ZWL in 2019.

For the outlook, the RBZ projections of a 3% average price inflation growth (MoM) in Q2:22 will be a tall order as prices are currently showing no signs of slowing down. The ongoing Russia-Ukraine war and subsequent mounting of sanctions against Russia have disrupted global supply chains and trade. Energy and food prices have skyrocketed as these two countries contribute a significant share to global export demand. As a net importer, Zimbabwe will endure most of the global fluctuations caused by this conflict through imported inflation. Absent this war, the public expected Zimbabwe's inflation to remain elevated throughout 2022 as it faces severe domestic inflationary risks. For instance, the country had received erratic rainfall patterns which have significantly affected crop yield. With the food category constituting more than 30% of the weight of the all-items in the consumer basket tracked by ZimStat, this would fuel general prices. Therefore, there is a need for authorities to undertake bold policy reforms to cushion the economy and citizens from the tightening macroeconomic environment. This can be done through a demonstration of political will to increase bidding transparency on the RBZ auction system and curb quasi-fiscal activities. Also, there is a need to increase subsidies targeting vulnerable groups like the commuting public and producers of basic goods and services.

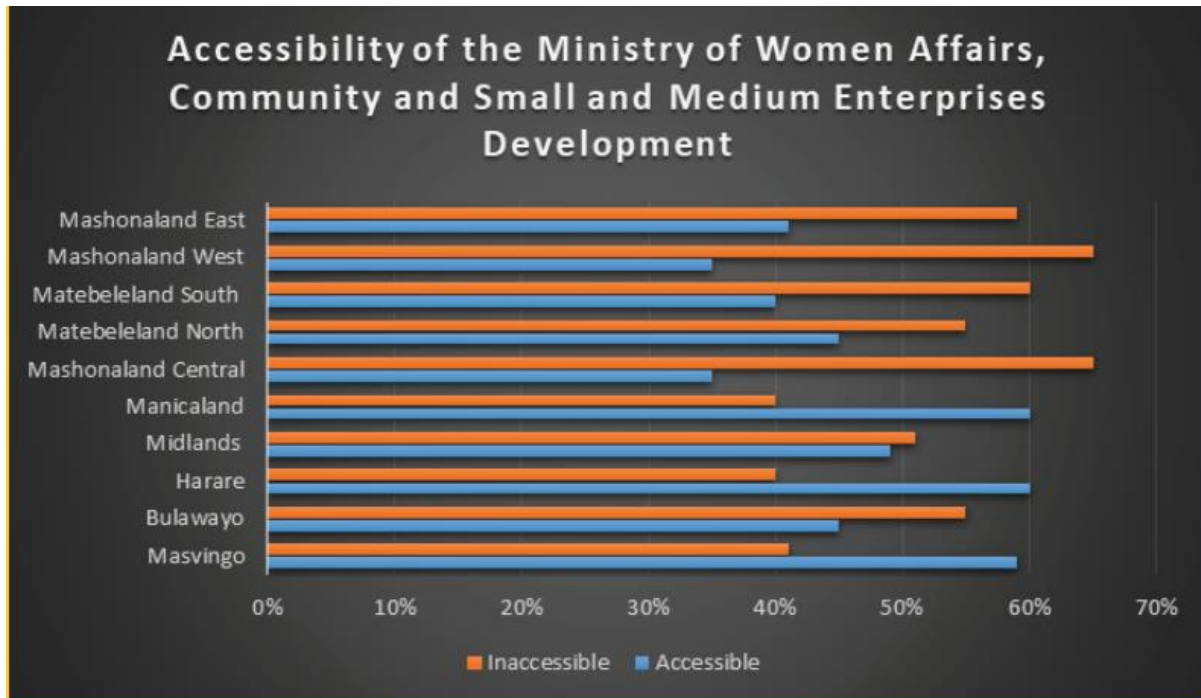
### **3. The Irony of Women Development Fund**

In 2010 the government of Zimbabwe introduced the Women Development Fund (WDF). The WDF was government's effort and attempt to bridge the gender inequality gap which had reached astronomic levels "as women earn only 77 cents for every dollar that men earn for the same work"<sup>2</sup>. This is exacerbated by the fact that only 30% of women own A1 and A2 farms while 32% have economic decision power. The establishment of the WDF was viewed as a positive stride towards women empowerment. Nonetheless, like most government projects, the WDF was highly politicized and the information about its existence and operations was scarce to the general populace. At the core of its administration was the concept of economies of affection as reflected by how dominated the project was with Politically Exposed Persons (PEPs). However, the project did not survive for long due to financial challenges. In 2018, with the emergence of the second republic the WDF was resuscitated. Even so, the citizens are still skeptical about the inclusiveness of the project as they sought to understand whether the rejuvenation of the WDF did not also bring back the old practices. This is because partisan administration of government projects and exclusion have been a systemic problem entrenched in Zimbabwean governance architecture.

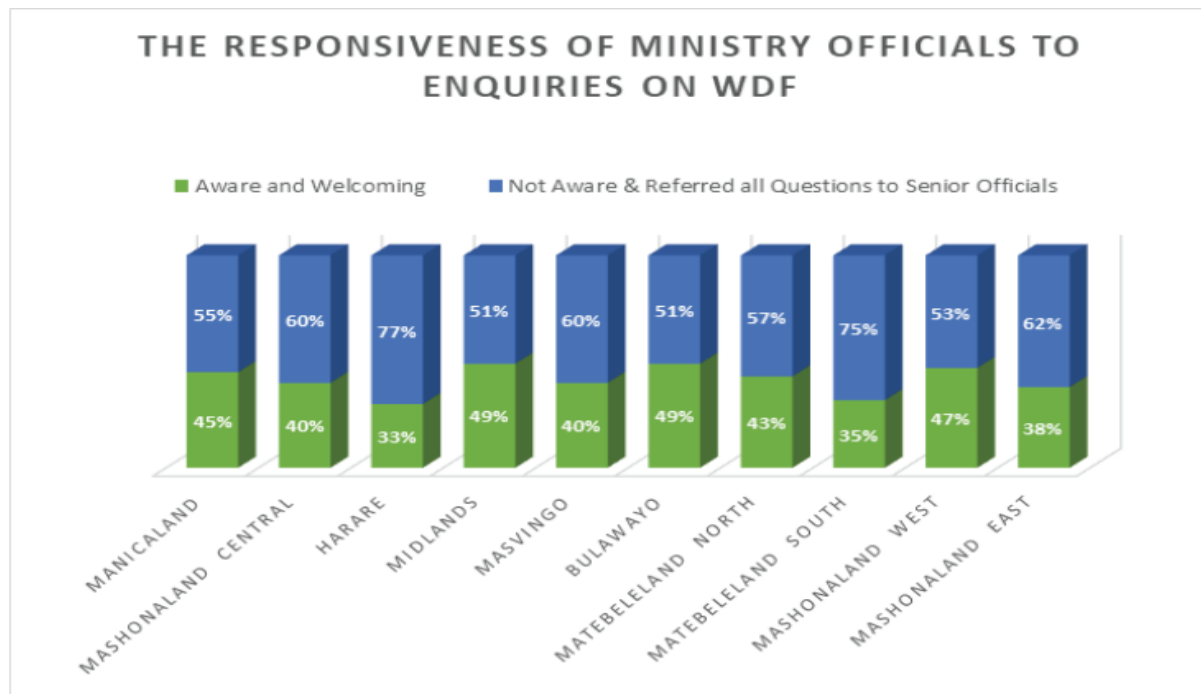
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<sup>2</sup> Maketo JPM and Mutizwa B. 2021. Women Development Fund Accessibility Rapid Survey. ZIMCODD, Harare

To give a fair assessment of the government’s 2021 WDF, ZIMCODD carried a formative and summative evaluation in 2021 and 2022 respectively. The findings of the formative evaluation are presented hereunder:

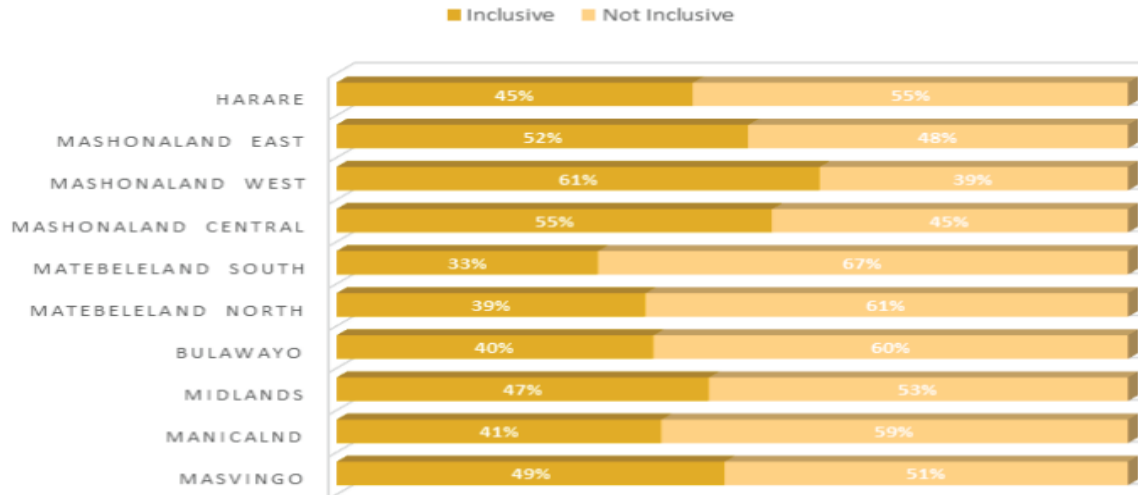


Source: ZIMCODD 2021 WDF Rapid Accessibility Survey



Source: ZIMCODD 2021 WDF Rapid Accessibility Survey

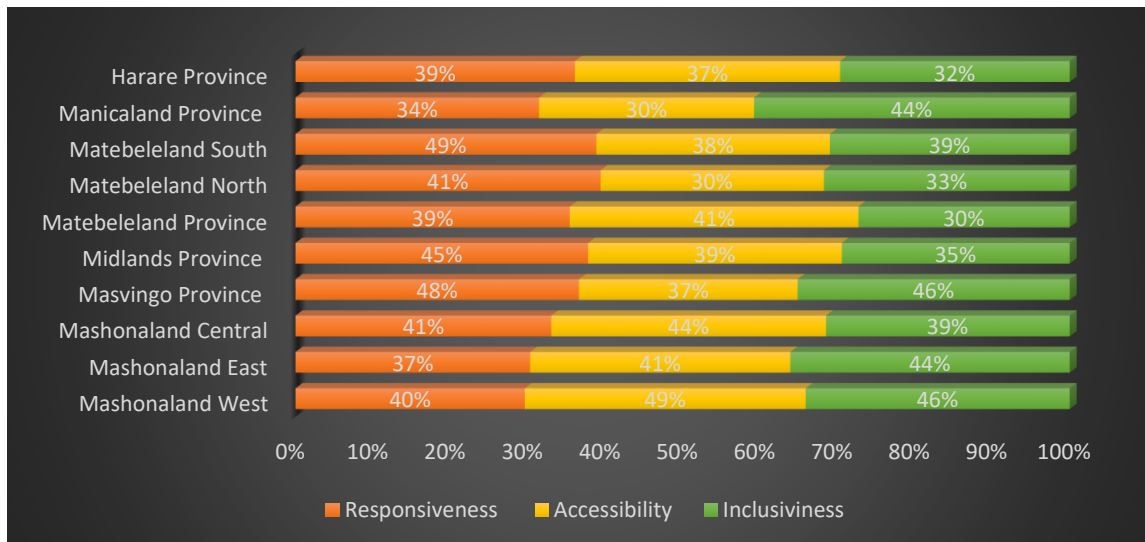
## INCLUSIVENESS OF WDF



**Source:** ZIMCODD 2021 WDF Rapid Accessibility Survey

The results from the formative evaluation demonstrates that accessibility of the Ministry of Women Affairs, Community and Small and Medium Enterprise Development (MWACSMED) was found wanting and so was the responsiveness and inclusiveness of the program. The survey also established that 76% of the respondents were not aware of the program and did not have the capacity to meet the application requirements which they considered an impediment for peri-urban and rural women.

The summative evaluation intended to examine if there was any change with respect to accessibility, inclusivity and accessibility of the MWACSMED. The findings from the summative evaluation are presented below:



**Source:** Primary Data Compiled By ZIMCODD

The findings from both the formative and summative shows that the WDF is still embedded with administrative anomalies with respect to accessibility, inclusivity as well as responsiveness. This contrasts with the information being released by the Minister of MWACSMED, Sithembiso Nyoni. The Minister noted that, “in 2021, a total of 111 women projects worth ZW\$56,5 million (about US\$420 000) was disbursed through the WDF benefitting 535 women across all the sectors of the economy”. However, from the surveys conducted, ZIMCODD learnt that, Politically Exposed Persons (PEPs) are the major beneficiaries of the WDF. This is because of patronage and partisan politics which define the structural system of governance in Zimbabwe. Economies of affection was also pointed as a major impediment to accessibility and inclusivity of the funds.

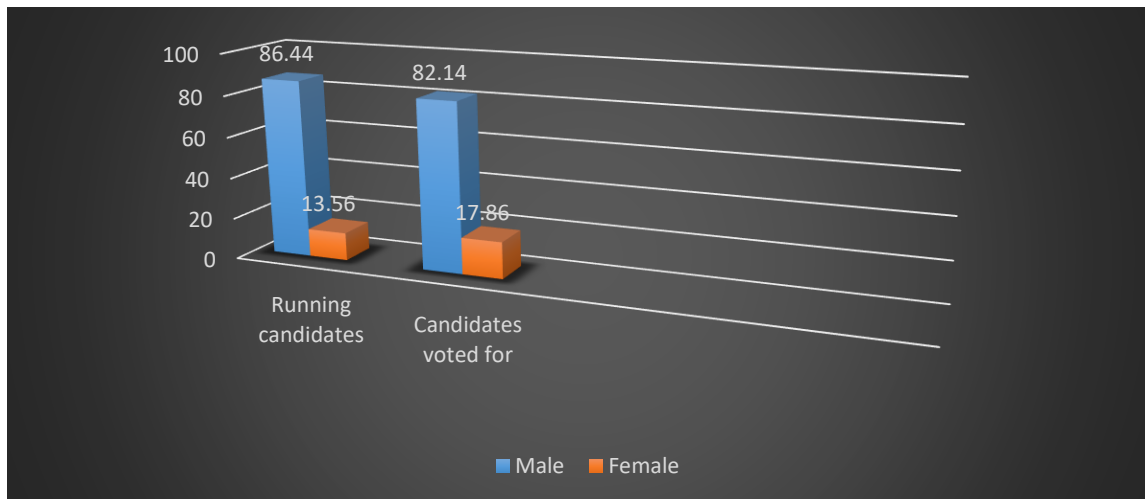
According to a key informant in the MWACSMED, who is at director level, the requirements of the project are militating against the optimum administration of the project as it hinders many women from applying. The application requirements included group constitution, project proposal, proof of residence for each member, next of kin details, certified national I.D cards, among others. All these requirements make it difficult for women in peri-urban and rural communities to apply yet they are the most vulnerable. Therefore, if the government is sincere about women empowerment, it must liberalise the requirements and publicise the granular details of the 111 women projects who benefited from the WDF.

#### **4. Reflections on the March 26 By-elections: What happens now?**

The long-awaited by-elections have attracted huge national and regional focus. Communities had gone without representation for almost two years, and this presented them with the chance to elect their representatives after some passed on and others who were recalled by the Movement for Democratic Change under Douglas Mwonozora. It further presented an opportunity for the Citizens Coalition for Change (CCC), a new political party under the leadership of Nelson Chamisa to showcase the party he recently formed after breaking away from the Movement for Democratic Change – Alliance (MDC- Alliance).

ZIMCODD conducted a rapid survey, and from the evidence gathered, Zimbabweans have become more politically detached since the 2018 elections, turning their focus on economic survival in the unpredictable economic climate. Zimbabweans have lost confidence in elections as a mechanism for bringing leadership change at both national and local levels. By-elections in Zimbabwe have always had a low voter turnout and this time around, it was no different. The night before the elections, there were allegations of the voter’s roll being tampered with, missing polling stations and remote polling stations. Voter apathy was also attributed to electoral fraud and most citizens indicated that, “*voting is pointless because it has not changed anything in the past.*”

The CCC won 19 out of the 28 national assembly seats. It is now time for them to fulfil their promises by ensuring that the party’s candidates remain transparent, accountable and act in the interests of the citizens. The total number of candidates contesting the elections was 118, out of this figure, 102 were male and only 16 were female. After votes were cast, five female candidates were elected while 23 male candidates were elected as members of the national assembly. While voting should be based on the most qualified candidate, equality of representation is essential for a functioning and effective democracy. Representation is at the core basis of democracy and from the statistics, it is clear that Zimbabwe has a long way to go when it comes to women representation in local government. Women must be fairly represented as they make up the larger part of Zimbabwe’s population. The graph below attests to this.



**Source:** Primary Data Compiled by ZIMCODD

In line with the principles of good governance<sup>3</sup>, local elections must be conducted freely and fairly, according to international and national legislation. All men and women must have a voice in decision-making through legitimate representatives that represent citizen's interests. Such participation should be grounded in the freedom of expression, assembly, and association. No citizen should be intimidated, threatened, violated, or discriminated against based on their political affiliation as has been the case in Zimbabwe. All voices, including the marginalised and vulnerable must be heard and considered in all decision-making processes.

Although by-elections are behind us, it is important to remember that our civic duty does not end in the ballot box. Regardless of who one votes for, as citizens, Zimbabweans must continue to make their voice heard by holding elected officials to account. Every Zimbabwean should understand that as a people in a democratic government, they have collective power to hold the government and elected officials accountable for the decisions they make on behalf of the citizenry.

## 5. Key takeaways from IMF Staff-Monitored Programme

The Executive Board of the International Monetary Fund (IMF) had concluded its Article IV Consultations with Zimbabwe popularly known as a Staff Monitored Programme (SMP). Under this SMP, the IMF holds bilateral discussions with its members, usually, every year where a team of IMF staff visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. Upon conclusion of the consultations, the IMF staff will then prepare a report which forms the basis for discussion by the Executive Board.<sup>4</sup> Zimbabwe is deeply engaging with IMF as a strategy to unlock new concessionary credit lines. The following are some of the key takeaways from the SMP.

- **2021 GDP growth was anti-poor people**

<sup>3</sup> Good governance is the process whereby public institutions conduct public affairs and manage public resources in a manner that promotes the rule of law and the realisation of human rights.

<sup>4</sup> <https://www.imf.org/en/News/Articles/2022/03/24/pr2288-zimbabwe-imf-executive-board-concludes-2022-article-iv-consultation?msclid=66693c3eaf0911ecb2c05f9131affd3b>



According to the IMF estimates, the Zimbabwean economy has expanded by 6.3% in 2021, a buoyant growth rate that is only 1.5 percentage points lower than the government's estimate of 7.8%. This economic growth rate was largely driven by normal rainfall patterns that led to a bumper harvest and a stellar performance of the mining sector, particularly the gold subsector. However, the IMF admitted that high double-digit inflation and wide black-market exchange rate premia have persisted in 2021 resulting in rising poverty. Its estimates show that about a third of the total population is at risk of food insecurity. This depicts what the public had already learned through life experience that the 2021 GDP growth rate was anti-poor people. The government should ensure economic growth that is stable, inclusive, and sustainable. This is key for authorities to reduce the widening inequalities, rising poverty, and increased poverty prevalence in Zimbabwe.

- **Re-engagement is not working**

The IMF Executive Board has noted that the government's international re-engagement drive is not yielding fruits as stakeholders seek political and economic reforms. The incumbent government identifies engagement and re-engagement with the world as one of its key policy strategies. The expected necessary reforms which are crucial in making this strategy work are however not yet fully implemented. Therefore, the government should expedite the rolling out of key reforms for it to realize the increased investment and easy access to international markets particularly cheap financial markets. Furthermore, reforms eliminate structural rigidities which have rendered the economy uncompetitive hence a prolonged dependency on foreign-produced goods.

- **Zimbabwe is in debt distress**

The IMF posited that Zimbabwe is still in debt distress, a situation where a country has a level of debt that makes it difficult to operate hence the need for a debt restructuring. According to government statistics, total Public and Publicly Guaranteed (PPG) debt stood at US\$13.7 billion as of September 2021 which is about 85% of GDP. Debt statistics also show that about US\$6.6 billion of the total PPG (about 46.5% of total debt stock) is in arrears. This is a vivid indication of Zimbabwe's struggle to repay its debts. While it is commendable that the government has developed a debt resolution strategy, there is also a dire need to revamp its public debt management. This is a process of establishing and executing a transparent strategy that ensures that the government's financing needs, and its payment obligations are met at the lowest possible cost and consistent with a prudent degree of risk. There is also a need for an independent debt audit that will inform the scale and nature of the country's debts, which are often not transparently publicized. An audit will also become a building block to popularise discussion about the legitimacy of certain debts and whether they should be repaid. Furthermore, the government should increase efficiency in the utilization of public resources by curbing public sector corruption and Illicit Financial Flows (IFFs) which are siphoning direly needed mining and other revenues to support sustainable and inclusive economic development.

- **RBZ auction system is not efficient**

A February report by ZIMCodd analysing the 2022 Monetary Policy Statement<sup>5</sup> identified the RBZ auction system as inefficient hence fuelling exchange rate depreciation. **“Although the**

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<sup>5</sup> [https://zimcodd.org/?smd\\_process\\_download=1&download\\_id=5280](https://zimcodd.org/?smd_process_download=1&download_id=5280)

**parallel rates have a speculative component, parallel premiums of over 100% alone highlight the inefficiencies of the official exchange rate management system**” reads part of the report. The report also posited that **“The RBZ has become the sole source of forex traded on the auction system, a position that makes the system prone to manipulation and insider trading shenanigans. An ideal and efficient market should have many buyers and sellers.”** In the January 2022 Economic Review, ZIMCODD highlighted that in its current form, the auction is contributing to the demise of the Zimbabwe dollar. **“As such, it needs to be revamped and operated transparently to cultivate public confidence and trust”** reads part of the review.<sup>6</sup>

The foregoing are the views also being shared by other institutions like the IMF. **“Concerted efforts are needed towards greater exchange rate flexibility by allowing a more transparent and market-driven price process”** read part of the IMF Executive Board’s statement. Therefore, there is a need for government to restore public confidence in the ZWL, for instance, by ensuring transparency of the bidding process on the auction system. This is one of the ways that fast-track the discovery of the true market price of the ZWL. Thus, parallel market exchange rate premia will subside, subduing inflation pressures that have plunged millions of Zimbabweans into a cost-of-living crisis. There is also a need for effective dialogue between the government and stakeholders including the private sector, academia, and Civil Society Organizations (CSOs) to find lasting solutions to the deteriorating socio-economic environment. Stakeholder consultations and engagements are vital for the successful implementation of progressive national policies.

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<sup>6</sup> [https://zimcodd.org/?smd\\_process\\_download=1&download\\_id=5326](https://zimcodd.org/?smd_process_download=1&download_id=5326)