ZIMCODD

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ZIMBABWE COALITION ON DEBT AND DEVELOPMENT

WEEKLY REVIEW

26 APRIL 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 12.04.2022	Week 20.04.2022
ZWL150 2157 per USD1	ZWL 155 1419 Per USD1

Consumer Price Index

February	March
4,483.06	4.766.10

Blended Consumer Price Index

February	March
142.28	146.28

Month on Month Inflation

February	March
7.0%	6.3%

Year on Year Inflation

February	March
66.1%	72.7%

Covid-19 Cases

Week (19.04.22)	Week 25.04.22
Positive cases 247 336	Positive cases 247 598
Recovered 241 160	Recovered 241 460
Deaths 5 466	Deaths 5 460

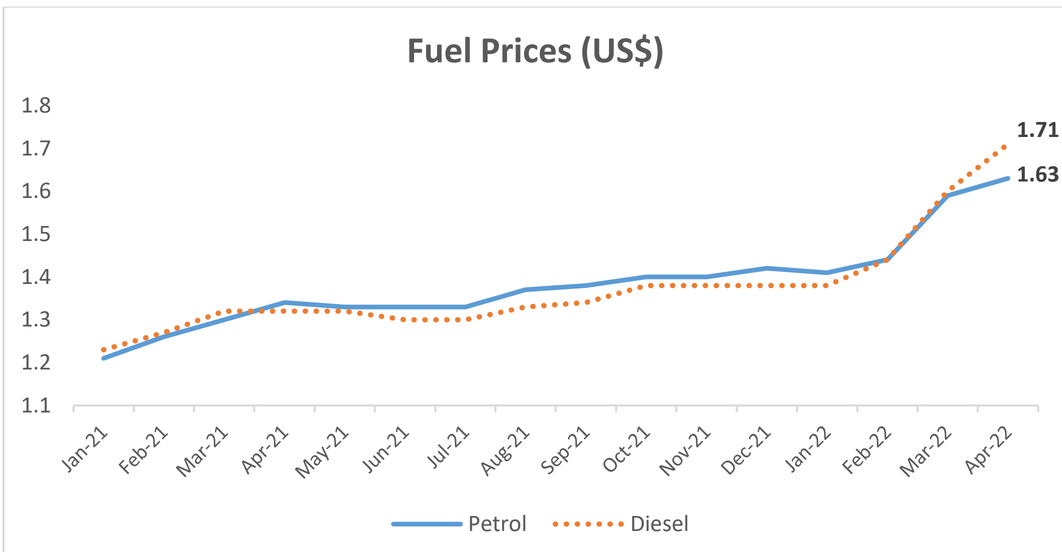
National Recovery Rate

Week (19.04.22)	Week (25.04.22)
97%	98%

Contents

1. ZERA Continues with Excessive Fuel Price Reviews

In the week under review, the Zimbabwe Energy Regulatory Authority (ZERA) reviewed the maximum pump prices of fuel to be charged by fuel retailers. A litre of diesel is now costing US$1.71, a 6.9% increase from US$1.60 while that of petrol has increased by US$0.04 from US$1.59 to US$1.63. It was also announced that the government has re-introduced petrol blending with ethanol with a ratio set at E10 (10% ethanol and 90% petrol).



Source: *ZERA*

ZERA has been reviewing fuel prices on the 5th of every month since the beginning of 2021. These price reviews were attributed to changes in the exchange rate of the local currency against the greenback, Free-on-Board (FOB) charges and movements in global crude oil prices, among other factors. However, from the beginning of 2022 to date, the energy regulator has reviewed fuel prices six (6) times with three (3) reviews done in March 2022 alone. On the 5th of March 2022, a litre of both diesel and petrol was increased by US$0.07 from February levels to settle at US$1.51 a litre. Then four days later on the 9th of March 2022, ZERA hiked a litre of petrol and diesel to US$1.67 and US$1.68 respectively with the regulator citing rising global crude oil prices as a result of tensions in Eastern Europe (Russia-Ukraine war). Again, prices were slightly reduced to US$1.59 and US$1.60 a litre of petrol and diesel respectively for the week 21 to 27 March 2022 on account of subsiding global crude oil prices. These prices were maintained until the latest review undertaken on the 25th of April 2022.

According to a statement released by ZERA, the astronomic increase in fuel prices especially diesel follows oil price patterns on the international market. It is true that the conflict in eastern Europe is having huge repercussions on global crude oil prices where Russia is a major player in the global oil supply chain accounting for about 30% of global crude oil exports. However, as a result of the conflict, western countries like the United Kingdom (UK), the United States (US), Canada and Australia have completely banned the importation of oil with Russian origins to punish Russia for its military operations in Ukraine. The European Union (EU) which is heavily dependent on Russian oil and gas is also reportedly mulling an embargo on Russian oil. These developments are creating artificial shortages in the global market, a move that is exerting upward pressure on global oil prices. Zimbabwe has no known reserves of petroleum although exploration is ongoing in Muzarabani hence is a net importer of fuel. Consequently, the country is a price taker of foregoing global crude oil prices. This explains the massive increase in fuel prices since the war began in late February 2022.

However, the Zimbabwean situation is peculiar when compared to its regional peers as the increases in fuel prices are excessive. A report by ZIMCODD posited that even before the Russian invasion of Ukraine, domestic fuel prices were the highest in the SADC region. After the invasion of Ukraine, domestic prices increased astronomically ahead of other landlocked regional counterparts that are net importers like Zimbabwe.[1] These fuel hikes are not commensurate or reflective of true global oil price dynamics. This is attributable to the fact that the fuel sector is more closed (a cartel) hence the distorted pricing mechanism as major companies in the fuel import business are also boasting of significant market share in the fuel retailing business. As such the cartel, driven by a profiteering motive, can significantly influence ZERA to set a high price to take advantage of elevated global prices. Apart from this, the government sees the fuel sector as a cash cow as it is collecting nearly 40% per litre of fuel sold as taxes and levies. Fuel is one of the key industrial production enablers hence a high price is a hindrance to economic activity. Consequently, it is consumers who will face the music through elevated shelf prices of necessities.

Therefore, it is the public's view that in a progressive society the government should reduce the exorbitant taxes and levies it is charging on fuel to cushion citizens and businesses. The government should also open up the fuel and ethanol sectors to many players to ensure adequate supply and efficient pricing of these commodities. Currently, Green Fuels commands a larger market share of 70-80% on all ethanol used for blending in Zimbabwe. This is tantamount to a monopoly, a market structure where the sole producer either fixes the price or output at the expense of the consumer. When ZERA dropped blending requirements (E0) in January 2022, the price of petrol dropped though marginally by US$0.01 from US$1.42 set in December 2021. This shows that blending petrol with expensive ethanol was exerting pressure on petrol pump price. Now, with the re-introduction of ethanol blending (E10), petrol prices have jumped by a smaller margin of US$0.04 to US$1.63 when compared to unblended diesel which surged by US$0.11 to US$1.71 a litre. Again, this shows that had Zimbabwean ethanol been cheap as is the case in other

[1] https://zimcodd.org/?smd_process_download=1&download_id=5398

countries, petrol prices would have been way lower than their current levels. As such, the foregoing justifies the calls for open and competitive ethanol and fuel sector in Zimbabwe.

2. Zimdollar on the Brink[2]

Whilst referring to a report by the Confederation of Zimbabwean Industries (CZI), Newsday reported that the Zimbabwean economy is facing imminent collapse if currency reforms are not implemented to quell the hugely unsustainable local currency. Citing exchange rate instability and incessant inflation, the CZI warned that the local currency was facing imminent rejection. Although the RBZ rebuffed the assertions cited in the CZI report, already there are unconfirmed allegations that some local authorities are shunning ZWL payments for their services – an indication that the currency has lost its relevance in the economy. The ZWL has breached almost all the tenets for a viable and valuable currency as it can no longer attest to storing value, acceptability and uniformity given the price distortions associated with the ZWL. The ZWL is also linked to the functioning of the Foreign Currency Auction Market (FCAM) which in essence taxes exporters (compulsory 40% Export Surrender Requirement) whilst subsidizing importers who gain from the overvalued exchange rate. The same FCAM has been hugely abused and has failed to stabilize prices, the exchange rate and inflation. All the same, the RBZ is allegedly borrowing USD for the sake of sustaining successful bids thereby ballooning the stock of public debt as such debt is converted into public debt. The collapse of the ZWL is a sign of waning confidence in the currency given failed currency reforms in the past which impoverished many through losses of savings. Interestingly, the government collects service fees such as tollgate fees, import duties, passport fees and fuel amongst many charges in foreign currency, a sign that the government also prefers the greenback to the ZWL. Procedurally, the public also pays school fees, medical fees, gas, data, clothing and fuel (amongst a long list) in foreign currency. This is because the USD has managed to store value and become a preferred currency hence the insatiable demand for the USD. In line with the CZI recommendation, dismantling the FCAM is a call in the right direction if the stability in the foreign currency market is to be attained, same as the complete arrest of inflation. Such a policy initiative should be accompanied by liberalizing the foreign exchange market and enable the free-market forces to determine the exchange rate.

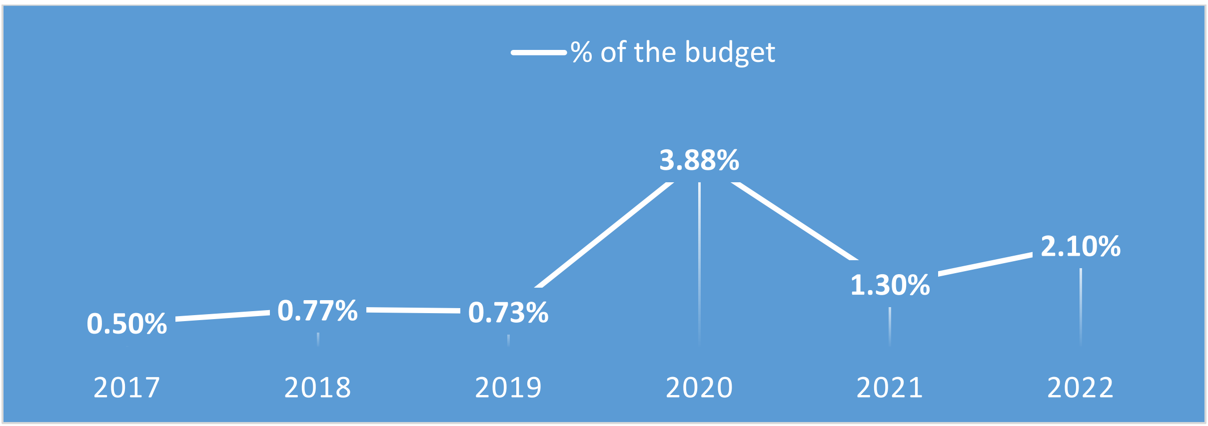
3. The Plight and Agony of Children in Zimbabwe

Since the emergence of the COVID-19 pandemic, Zimbabwe has seen a rise in the numbers of child vendors. Child vending is nothing but a manifestation of a plethora of underlining dynamics that are militating against the rights and well-being of children. Some of these underlying dynamics include but are not limited to poor social protection policies, economic meltdown, maladministration, poor public resource management, infrastructural gaps, child marriage, school drop outs, exploitative and exclusionary policies. All these challenges seem to gain traction in the lives of children across the country despite the availability of a myriad of policies, legal, institutional and regulatory frameworks that speaks to child protection. These include but not limited to; Zimbabwe Children's Act [Chapter 5:06], the Constitution, the Zimbabwe National Orphan Care Policy (1999), Zimbabwe National Action Plan for Orphaned and Vulnerable Children, the Zimbabwe National Residential Care Standards Policy, Ministry of Health and Child

[2] https://www.newsday.co.zw/2022/04/zimdollar-on-the-brink/

Care, Office of the President and Cabinet, Parliament Ministry of Public Service, Labour and Social Welfare to mention but a few.

Poor Public Resource Management (PRM), debt distress, resource leakages and Illicit Financial Flows (IFF) have militated against effective Domestic Resource Mobilisation (DRM) which is integral in mobilising funds for social spending. The impact of weak DRM has been adverse on the cost of living for the ordinary Zimbabwean and social spending as it has widened the inequality gap. The social welfare workforce is depleted and there is an insufficient National Budget for child justice, social welfare and limited implementation of legislation. Zimbabwe`s social spending is below the agreed 4.5% of the African Social Policy. Since 2017 Zimbabwean social spending has never reached 4%. The figure below shows Zimbabwe's social spending.



Source: Compiled by ZIMCODD from the 2017-2022 National Budgets

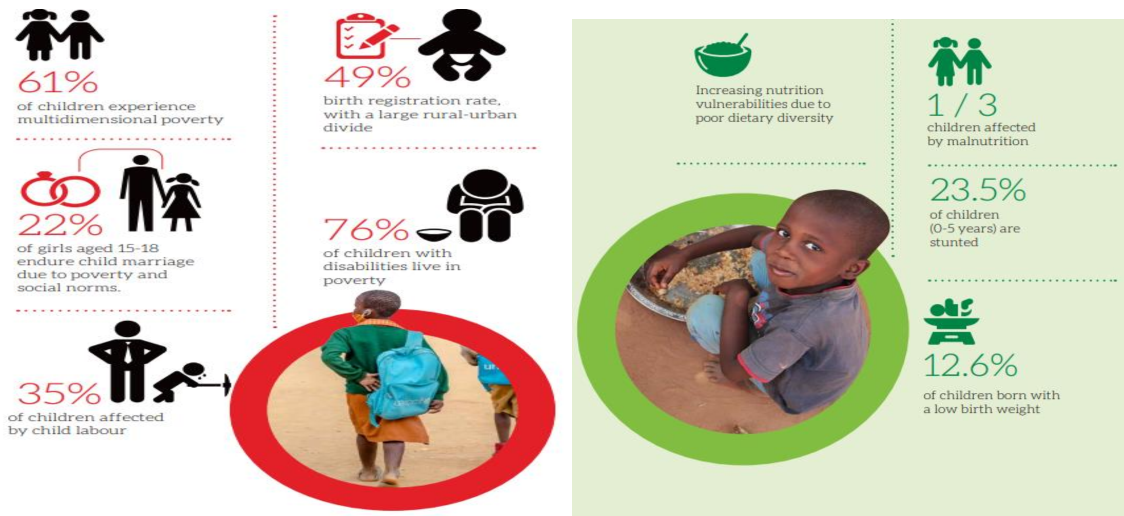
The ramifications of weak social spending have imposed an unbearable cost of living on children. A rapid assessment conducted by ZIMCODD of child vending in Harare shows that, approximately 20 children join the streets every day as beggars and vendors which is a clear testament to the dysfunctionality of child protection systems in Zimbabwe. According to the 2021 Zimbabwe Annual Report by UNICEF child poverty has increased tremendously in Zimbabwe. The report stated that, 1/3 women aged 20-24 years married before the age 18, 35% of children between the age of 5-17 are experiencing child labour, while 13% are working under hazardous conditions and over 51% of children are not registered at birth.

Zimbabwe has a population of approximately 15 million inhabitants, with 54% under the age of 20 while a 61.3% of children live in multidimensional poverty – worse in rural areas, high-density and peri urban informal settlements. This is coupled with a weak Human Development Index ranking of 150th out of 189 countries. Approximately 3.5 million children are chronically hungry[3], about 60% of rural girls and women encounter period poverty thus they lack access to menstrual supplies and education[4] and lastly it is believed that girls who experience poverty miss 20% of their school life[5]. The situation is further aggravated by the fact that 68% of pre-primary children

[3] https://www.voazimbabwe.com/a/zimbabwe-poverty-hunger-widespread-12apr10-90647654/1466737.html
[4] https://www.techwomen.org/girls-education/vheneka-khanyisa-eliminating-the-shame-of-period-poverty
[5] https://www.techwomen.org/girls-education/vheneka-khanyisa-eliminating-the-shame-of-period-poverty

aged children (3-5 years) and 47% adolescents (13-18 years) are not in school and approximately 4.5 million children experienced loss of learning due to COVID-19 by early 2021[6].

The statistics on the variable of child protection paints a gloomy picture on Zimbabwe`s child policy. Child marriage rates remain high at 21.2% for adolescent girls aged 15-18 driven by poverty and social norms (MICS 2019). This is further projected by the figures below.



Source: *UNICEF 2021 Zimbabwe Annual Report*

All in all, ZIMCODD calls on the government to reinvigorate child protection services at all levels (local and national) and ensure that adequate resources are earmarked for child protection. Children form the basis of optimum national Human Development Index which is vital in the fulfilment of priority area 7 of the National Development Strategy I (NDS1) Human Capital Development and Innovation.

4. Towards Social and Economic Inclusion in Health Financing

The COVID-19 pandemic has stifled progress towards universal health coverage. Although globally, the epidemic data remains high, there has been a downward trend and a great decline in the fight against COVID-19. Rising demand for health spending at a time of falling household and national income due to supply disruptions and economic losses resulting from lockdown responses led to health care financing constraints. Although the health sector has been undoubtedly crippled by the pandemic. Other existing challenges include those arising from economic performance, socio-economic inequality and the burden of non-communicable diseases, infectious diseases, and health emergencies due to climate change.

Data indicates that government spending on primary health care as an indication of domestic pro-poor spending on local level health systems and pro-poor population health interventions is very

[6] UNICEF 2021 Zimbabwe Annual Report

low in Zimbabwe.[7] Thousands of households are facing difficulties with rising food prices and dwindling incomes during and after the pandemic and this has led to them falling out of health services. Zimbabwe has had many policies formulated in an effort to move towards Universal Health Coverage and ensuring that all citizens have access to quality health services that they need without suffering financial hardship. This, however, has not been the case. Universal Health Coverage refers to healthcare whereby all people receive the health services they need without suffering financial hardship when paying for them.[8] The full spectrum of essential, quality health services should be covered including health promotion, prevention and treatment, rehabilitation and palliative care.

There has been a continued decline in healthcare services, even before the pandemic which has had dire social and economic implications. Zimbabwe's health system has been consistently financed by a mix of funding sources. The major domestic funding sources include those from central government through budget allocation, sub-national government (local authorities), households, non-governmental organisations (NGOs) and private companies. Currently, the public health sector is heavily reliant on funding from NGOs as government struggles to ensure that medication is available at various public health care facilities. Studies have shown that women have higher medical care service utilization and higher associated charges than men[9]. Women in low and middle-income countries such as Zimbabwe, do not have equal access to resources, such as education, employment or healthcare compared to men. In making budget allocations, government must ensure that the budget is gender responsive and addresses the needs of women and the greater burden of care work that is placed on women in society. The nature and level of healthcare financing is a critical element of health systems development including in how resources are mobilised, pooled and spent, and services purchased.

While there are many measures and features of health financing, ZIMCODD has identified the following as key issues for equity in health financing:

- The extent to which government prioritises health in its domestic budget spending must be in accordance with Zimbabwe's commitment to the Abuja Declaration which committed them to allocating 15% of domestic government spending to health.
- The level of financial protection provided must ensure that health costs do not present as catastrophic or impoverishing expenditures especially towards women.
- Policies targeted at the health sector must employ gender mainstreaming strategies to respond more effectively to the needs of men, women, boys and girls.
- Budget allocations towards the healthcare sector must be gender responsive.

7 https://equinetafrica.org/sites/default/files/uploads/documents/EQ%20Diss124%20Health%20fin%20%20and%20COVID%20%20Jan2022.pdf

8 https://documents1.worldbank.org/curated/en/840661563174110288/pdf/Zimbabwe-National-Health-Financing-Policy-Resourcing-Pathway-to-Universal-Health-Coverage-2016-Equity-and-Quality-in-Health-Leaving-No-One-Behind.pdf

9 K D Bertakis et al. Gender Differences in the Utilization of Healthcare Services https://pubmed.ncbi.nlm.nih.gov/10718692/ .

- The extent of government spending on primary healthcare must encompass pro-poor local level health systems and more pro-poor population health interventions in delivering services used by most lower income households.