



WEEKLY REVIEW

23 AUGUST 2022

Weekly Dashboard



Forex Auction Weighted Rate

Week	10.08.2022	16.08.2022
Per USD1	ZWL 478.6358	ZWL 494.9883



Consumer Price Index

Month	June	July
	8 707.35	10 932.83
Blended	205.39	238.43



Inflation

Month	June	July
M.O.M.	30.7%	25.6%
Y.O.Y.	191.6%	256.9%

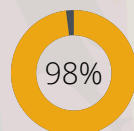


COVID-19 Cases

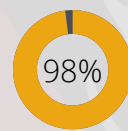
Week	15.08.22	21.08.22
Positive	256 561	256 628
Recovered	250 733	250 895
Deaths	5 588	5 592

National Recovery Rate

15.08.22



21.08.22



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1. Grant Performance in a Volatile Economy: The case of Harare City Council

The gap between actual budget performance and the recommendations from both national and local budget consultative meetings has always been a cause for concern. Repeated failure to address this gap loomed large during the Harare City Council Budget Performance and Service Delivery Review Meeting for the period January to May, 2022. Inflationary pressures render budget allocations pegged in the local currency (ZWL), meaningless within months after budget approval. Likewise, reasonable expectations for improvements in the quality and equity of public service delivery are materially challenged in the face of growing fiscal pressures. Budgeted figures simply do not measure up to the demands of a volatile and inflationary economic environment with disproportionate impacts on the poor and vulnerable who depend on public services. Inflation has added to the cost of missed opportunities and foregone development as both grants register underperformance. The budgeted figures allocated and announced in the first instance will have since been eroded and lost their real value.

Grants to ZINARA and Devolution funds are indicative of the negative impacts of inflation on budget parameters. For example, of the ZWL2.3 billion allocated in devolution funds for the City, disbursements of up to ZWL73 million have been received up to May 2022 and the disbursed amount has been utilized. Of the ZWL825 million allocated from the ZINARA Grant, ZWL131 million had been disbursed by May 2022, and it had been wholly utilized by the beginning of June. This disbursement of funds in batches, coupled with the loss of value due to inflation compromises service delivery and the implementation of development projects at the City council.

Research has shown that some of the challenges encountered by Local Authorities in delivering on their service delivery mandate are exacerbated by a lack of or limited central government support for capital and operational expenses to finance infrastructural projects. Fiscal space continues to shrink as government grants are constituting only 11% of the local authority revenue¹. As a result, service delivery is on a downward trend with the state of infrastructure in most Local Authorities very poor. Waste management, water, and road infrastructure are on top of the list. In a recent media article by the Zimbabwe Independent, the Local Government and Public Works Minister, July Moyo allegedly delayed sanctioning the release of US\$5,3 million for a critical Harare water treatment project, despite receiving warnings that the city could plunge into a crisis. This happened at a time when Harare was running dry on stocks for water treatment, posing a prolonged shutdown for the city's 2.5 million residents.

The failure by the central government to disburse funding to roll out key capital projects has rendered the Harare City Council ineffective to deliver social services. It was reported that the cash-strapped government has so far disbursed US\$381 000 from US\$5,38 million it allocated the City Council for key projects. Projects supported by the devolution funds have been halted as the disbursements have been exhausted thus far. Such projects include the Kuwadzana Sewer Line and Mabvuku Poly Clinic. Residents are also skeptical of the bureaucratic processes within government which are likely to delay the second disbursement as the procurement processes are lengthy. This, undoubtedly, has had a ripple effect on the living conditions of the residents and ratepayers as this has resulted in a slew of public service delivery, with the City continuing to backslide from achieving “world class city status by 2025”.

Fiscal equalization through the provision of devolution funds from the fiscus is progressive in that it helps to equalise regional differences in fiscal capacity and spending needs. However, A recent survey report by ZIMCODD² buttresses that the delayed disbursements of these funds to the respective Local Authorities is adversely impacting service delivery. In the survey, Bulawayo residents, who have not been spared from this quandary, lamented that by the time devolution funds are deposited into the Bulawayo City Council account, the value would have been eroded by exchange rate depreciation and skyrocketing price inflation. Residents from the Victoria Falls City Council implored the government to timely disburse fiscal transfers from the Treasury to ensure smooth procurement planning processes and implementation. Victoria Falls residents bemoaned that since 2019 to date, the Council has never received its share of devolution funds on time yet as in the case of Bulawayo and Harare, the value of these funds is being eroded by exchange rate depreciation and ravaging inflation.

In light of the foregoing, it is recommended that central government be involved with the overall policy, setting standards and facilitation of oversight and regulatory mechanisms including auditing of public funds. While Local Authorities as lower tiers of government must focus on infrastructural development and service delivery. The country desperately needs a devolution framework which further separates and clarifies division of tasks, functions and responsibilities between the line ministry and the Local Authorities to facilitate smooth implementation and reduced conflicts between central and local government. Further, timely resourcing of the institutions responsible for driving the devolution agenda is a critical success factor as observed in other countries. Given the shrinking fiscal space at the macroeconomic level, the central government must enhance autonomy and revenue generation capacity of local government including measures to optimise collection of revenue by Local Authorities to support devolution programs. Over and above this, citizens’ oversight and scrutiny are critical in monitoring and evaluating the work of Local Authorities including quality of service delivery, the lower tiers of government should provide platforms for citizen engagement in devolution processes to determine the nature and quality of services delivered within their jurisdictions.

2. Moderating parallel market exchange rates: A beacon of hope for ordinary citizens

Zimbabwe officially attained independence from colonial rule in April 1980. At the time, the local currency was valued above the US dollar, a value that quickly fell due to a range of issues particularly, economic mismanagement and ill-advised structural adjustment programmes of the 90s. Over the years various economic blueprints from ESAP to ZIMPREST to ZIMASSET to TSP and now to NDS1 have been introduced to put Zimbabwe on a sure economic footing with limited success.

Changes in economic frameworks have gone alongside, equally failing currency reform measures. The local currency which was disbanded in early 2009 in favor of the US dollar due to record hyperinflation for a country in peacetime was re-introduced in February 2019 despite a lack of macroeconomic fundamentals to support a currency. Generally, a stable currency is a function of strong animal spirits, that is, the emotions of confidence, hope, fear, and pessimism that can affect financial decision-making, which in turn can fuel or hamper economic growth. As a result of weak animal spirits coupled with fiscal indiscipline and excessive money printing, the rebranded Zimbabwe dollar failed to withstand depreciation pressure against other hard currencies. For instance, in February 2019, the broad money supply which stood at ZWL10.4 billion mounted to ZWL506.13 billion by February 2022, a staggering 4 767% in just 3 years. Again, the latest statistics show that during 2019 and 2020, the Treasury overspent its approved budgets by a whopping ZWL107 billion.

As highlighted in last week's publication of ZIMCODD Weekly Review, official statistics are clearly showing that the government has contributed a large part to the current currency and price conundrum. From the beginning of 2022 to date, this excessive ZWL liquidity emanating from fiscal indiscipline has caused the local currency to lose about 78% of its value in the official interbank market.

Endemic corruption and mismanagement of public procurement processes has played a starring role in exacerbating Zimbabwe's currency woes. Because of poor contract due-diligence by line Ministries, the Treasury has been paying public sector contractors for goods and services at or above parallel rates yet the existing government regulations ban charging of goods and services at local prices above official rates plus a 5% margin. This explains the exchange rate volatility that was experienced between Jan-July 2022 period. These contractors have been offloading tons of ZWL balances from the government into the alternative markets in search of a stable US dollar. In the end, it is the average citizens that were biting the dust as prices of many basic goods were sent haywire. Official statistics show prices climbing by 256.9% in the last 12 months ending July 2022. In the worst case, some specific goods and services are being sold exclusively in forex as markets began rejecting the fragile ZWL, a currency being earned by the majority of Zimbabweans, particularly public servants.

With politicians facing mounting pressure to stabilize the economy especially given general elections expected next year, the President announced that he has directed the public sector to suspend all payments to government contractors pending due diligence reports on pricing.³ This increased political will to clamp currency and price madness is highly commendable as it will buttress the actions being taken by the Reserve Bank of Zimbabwe (RBZ). In addition to setting a high benchmark policy rate and relatively lower quarterly reserve money growth targets, the RBZ introduced gold coins in July 2022 to help mop excess ZWL in circulation by providing an alternative store of value for investors. To ensure that even low-income individuals benefit from the gold scheme barring corruption, the Bank is set to introduce low denominations of gold coins like one tenth and half ounce gold coins.

Consequently, these progressive government measures are now exerting pressure on parallel market rates to decline. Statistics show that the parallel rates that were hovering above US\$1: ZWL800 is now down to about ZWL650. If sustained, lower parallel market premiums will accelerate disinflation. This is key in reducing rising income inequalities between the haves (those with US dollars) and the have-nots (those with ZWLs). Also, extreme poverty levels currently at 60% of the total population will decline significantly as citizens will be able to afford basics. However, for sustainable economic stability, there is a need for increased political will to curb leakages from public corruption and illicit financial flows as well as strengthen institutions. More so, structural measures to constrain corporate impunity and the ability of monopoly capital to raise prices are needed to subdue existing pricing distortions, improve access to basic goods and services, reduce household debts and lower high costs of living. In the meantime, the government should also improve social service delivery and strengthen social safety nets to ensure inclusive economic growth. In the end, the public hopes that the government will withstand excessive and unsustainable spending pressure which generally comes in the second half of the year as well as pressure associated with general election seasons.

3. The Wadyajena Saga: A High Sounding Nothing

Many Zimbabweans have welcomed the arrest of Honourable Justice Mayor Wadyajena on allegations of fraud and money laundering amounting to US\$ 5.8 million.⁴ It is alleged that, in 2019, Wadyajena, Pious Manamike the Managing Director of COTTCO, Maxmore Njanji, Fortunate Molao and Chiedza Danha who are all at director level defraud COTTCO millions of dollars. On the 28th of January 2019, the alleged formed a shelf company, Pierpont Moncroix (Pvt) registration number 898/2019 in which Danha and Euphrasia Mupedzisi are directors. On the 14th of March, COTTCO raised an internal stores voucher No 264583 for the supply of 3 200 000, 92-inch special high carbon bale ties to cater for the 2019 ginning season. Nevertheless, to this day COTTCO has not received the purported imported bales as the money was used to buy 25 Freightliner from Giant Equipment LLC, USA. The Freightliner trucks are now registered under Mayor Logistics.⁵

4. <https://www.newsday.co.zw/2022/08/more-woes-for-embattled-wadyajena/>

5. <https://www.newsday.co.zw/2022/08/more-woes-for-embattled-wadyajena/>

A trend analysis of high-profile cases clearly shows that, as long as one is still in good books with those with highest echelon of power, he or she is immune to arrest and prosecution. It has become a public secret that, impunity among high profile figures is the order of the day with rent-seeking, economies of affection and tenderpreneurship determining the decisions of public officials. [The Maverick Report titled Cartel Power Dynamics in Zimbabwe](#) is a clear testament of the rot in the public sector and how as a nation, Zimbabwe has normalised the abnormal. Impunity amongst corporate and political elites remains a huge challenge despite the availability of legal, regulatory and institutional frameworks established to curb corruption. The report titled [Legal Tender? The Role of Sakunda and The RBZ In Command Agriculture](#) narrates the disregard of accountability, transparency and responsibility which has proliferated in the public sector. The scale and magnitude of corruption by high profile figures does not correlate or corroborate with successful prosecution so far.

Whilst corruption implicated Hon. Wadyajena has already been given bail, dissenting voice, Honourable Job Sikhala has been denied bail for the third time. This brings reminiscence of the catch and release phenomena and undeniable politicisation of the judicial system. A more reason why Zimbabweans should not celebrate until successful prosecution.

It is also vital to note that, anti-corruption measures in Zimbabwe are consistently frustrated by catch and release which borders between political gimmick and factional battles. It is important for authorities to restore public confidence in anti-corruption measures by following through on arrests, prosecution and recovery of looted funds. A dream which many Zimbabweans long to see.

4. Call for Full Papers: Journal for Social and Economic Justice (JSEJ)

ZIMCODD continues to scale up its advocacy work on influencing the adoption and implementation of just, equitable and people-centred policies in Zimbabwe and beyond. Guided by its mandate, ZIMCODD exist to facilitate citizens' involvement in the realisation of pro-people and pro-poor public policies. ZIMCODD envisions social and economic justice in Zimbabwe through a people driven movement. The motivation of its work stem from the ugly reality that Zimbabwe's social and economic development continue to be marred by corruption, resource leakages, illicit financial flows, weak governance and oversight frameworks and institutions and high level of political interference among other factors. ZIMCODD therefore asserts itself as a strategic leader and think tank on social and economic justice through providing alternative policy prescriptions on Debt, Public Resource Management and Domestic Resource Mobilisation. From this end, ZIMCODD believes that the achievement of social and economic justice is central to the realisation of citizens' rights, equitable development and improved livelihoods for the marginalised and vulnerable groups.

Against this background, ZIMCodd provides an opportunity to established and aspiring writers to advance social and economic justice issues through writing and publishing cutting edge research papers in the following themes: Domestic Resource Mobilization; Public Debt Management; Corruption; Tax Justice; National & Local Government Budgeting Process; Public Procurement, Natural Resource Governance and an Engendered Approach to Public Finance Management. The call for papers is accessible on the link below: https://zimcodd.org/sdm_downloads/call-for-papers-journal-of-social-and-economic-justice/