WEEKLY REVIEW

8 November 2022

Weekly Dashboard

Forex Auction Weighted Rate

Week	01.11.2022	8.11.2022
Per USD1	ZWL 633.7681	ZWL 635. 4799

Consumer Price Index

Month	September	October
	12 713.12	13 113.95

Inflation

Month	September	October
M.O.M.	3.5%	3.2%
Y.O.Y.	280.4%	268.8%

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1. National Financial Inclusion Strategy 2: Making it work for all economic agents

Recently, the government launched the second version of the National Financial Inclusion Strategy (NFIS2) (2022-2026) with authorities upbeat about the gains achieved under the first version, NFIS1 (2016-2020). The chief goals of NFIS1 were to increase the overall level of access to formal services within the country from 69% in 2014 to at least 90% by 2020 and increase the proportion of banked adults from 30% in 2014 to at least 60% by 2020. Available quantitative evidence shows major improvement in most financial inclusion metrics. For instance, the 2022 FinScope consumer survey results show that the formally served (banking and formal non-bank) increased to 83% from 69% in 2014 while the financially excluded plummeted to 12% from 23%.

While these milestones attained through the NFIS1 are highly commendable, a granular analysis shows that the benefits are not fully trickling down promptly and fairly to all economic agents. Rather than implementing policies aimed at maximizing consumer and producer surplus, the authorities are more concerned about ticking boxes. For instance, just like any other commercial bank, the Women and Youth banks established under NFIS1 still require quality collateral security for all loans borrowed. Yet, due to the historically dominant ideology of patriarchy coupled with high perceived corruption in government, weak property rights, and poor economic management causing high unemployment and poverty, the majority of women and youth cannot afford exorbitant bank charges and collateral security demands. As such, access to finance remains a daunting challenge, especially for small and informal businesses. As such, from a quantitative analysis point of view, Zimbabwe has scored big in terms of financial inclusion but the qualitative aspects remain wanting.

Amid poor qualitative improvements of financial inclusion (FI) aspects, the recently launched NFIS2 envisions to, “Empower all Zimbabweans towards building, resilient, and sustainable livelihoods through access and usage of appropriate, affordable, sustainable, and quality formal financial services in line with the National Development Strategy”. The NFIS2 is anchored on wealth creation, equitable income distribution, financial system stability, and improved welfare and poverty reduction.

Its four key pillars (and enablers) are as follows: Financial Innovation (conducive macroeconomic environment); Consumer Protection and Financial Capability (legal and regulatory environment); Microfinancing, MSMEs & Entrepreneurship Development (institutional coordination & political commitment); and Devolution (data availability). Be that as it may, there is a lot that needs to be done to fully enjoy the benefits that come with increased FI. Some of these aspects in need of a revisit include among others:

Tax regime: The prevailing tax regime is characterized by regressive and high tax rates. For instance, all electronic transactions in local currency are attracting a 2% tax while all transactions in foreign currency attract a 4% tax. These taxes are punitive and hence are plunging Zimbabwe back into a cash economy -an economy characterized by high cost of money, informality, and tax evasion. As such, there is a need for tax reforms to lower the burden of tax and reduce the cost of tax compliance so as to increase the use of formal financial channels.

Capital controls: Zimbabwe is characterized by increased restrictions on capital flows. For example, all exporters are forced to cede 40% of their forex export proceeds and there are stringent restrictions on the repatriation of profits. From the lens of free market proponents, financial repression prevents the flow of capital to where it is most profitable and efficient. It also forces domestic investors to gain a lower rate of return on investment and have a lower income.

Digital infrastructure: The traditional role of information technology (IT) infrastructure is being rapidly reshaped by the global digital transformation of business. In a highly integrated global economy presenting unlimited opportunities for disruption and constant innovation, the demands placed on IT are changing rapidly. Increased access to digital infrastructure brings three key benefits in the realms of cost, reliability, and speed of transactions. However, over the years, public investment in these infrastructures is dwindling. Also, with national access to electricity estimated at 52.75%, it means the majority of folks especially those living in rural and resettlement areas are constrained in using electric gadgets. More so, there is a need to correct the digital gender divide in Zimbabwe as gender-disaggregated internet penetration statistics show low financial and digital skills among women and girls as compared to their male counterparts.

Property ownership: The majority of disadvantaged groups like women and youth are not owners of valuable properties. Also, there is weak protection of property rights in Zimbabwe particularly in the agriculture sector. For instance, many farmers are struggling to access loans from banks due to a lack of bankable land leases to use as collateral for borrowed funds. This means that only the rich and connected few with quality assets to use as collateral security will enjoy access to low-cost formal channels of borrowing while their counterparts are subjected to high-cost informal sources of finance.

Bank charges and broadband data cost: Bank charges have become the major source of income for many deposit-taking institutions in Zimbabwe instead of loan interest income. The exorbitant bank charges being levied on households already earning below the poverty datum line are reducing disposable incomes as well as subduing public use of formal channels. Also, the high broadband data costs are inhibiting households from using convenient, reliable, and fast e-services like internet banking. All these balloon costs of transacting thereby affecting the overall market pricing of goods and services.

Unsustainable debt: The ever-rising public debt has a bearing on the financial sector of the economy. For instance, Zimbabwe's high indebtedness led to a debt default in the early 2000s and subsequent accumulation of external arrears. Resultantly, the nation can no longer easily access concessionary external sources of financing to augment shallow domestic credit markets. Increased domestic public borrowing to finance the budget deficit is also crowding the private sector, particularly small and medium businesses. As such, authorities should clamp the burgeoning public debt stock which is exerting pressures on long-term interest, tax, and inflation rates.

National Registration: In Zimbabwe, most processes and procedures such as attaining national registration documents like identity cards are centralized and concentrated in urban areas. This disadvantages the majority of the population living in rural and marginalized areas as they are crowded out from accessing formal financial services due to the lack of these documents. Banks are obligated to adhere to Know Your Customer (KYC) principles which are easily enforceable through the use of authentic documents. As such, to reduce the proportion of undocumented rural citizens, there is a need for government to decentralize these processes across the nation.

Financial literacy: Last but not least, the benefits of financial inclusion are realized when economic agents particularly households are financially literate. Financial literacy can be defined as people's understanding of financial concepts as well as their skills and ability to manage money and make informed financial decisions. Literature shows that this is key because the more financially-literate individuals are, the more likely they plan for their retirement, invest in stocks, and make better refinancing decisions. These financial decisions (large and small) impact the wealth accumulation of individuals over a lifetime and contribute to the shortening of generational cycles of poverty and social stratification. However, there is a lack of a deliberate and holistic approach by responsible authorities to increase the financial literacy of the citizenry.

2. Public Debt, A Human Rights Concern?

Subject to favorable financing conditions and prudent use of monetary resources borrowed, it is true that debt can foster and advance economic growth and contribute meaningfully to the development of any country. Sadly, this has not worked for most African countries as debt has either been accrued or serviced without the concern of[1] human rights at center. The public debt stock for Zimbabwe which currently stands at an estimated US$16.7 billion has weighed down the realization of social and economic rights as government fails to provide basic services such as access to food, water and sanitation, education, healthcare services as well as employment.

The Constitution of Zimbabwe provides provision for the realization of socio-economic rights in Chapter 4 that is the Bill of Rights. These rights include the right to health, water and sanitation, education, social protection thus making them a constitutional right rather than a privilege. Furthermore, the International Covenant on Economic, Social and Cultural Rights also mandates government to mobilize the maximum available resources to implement public policies for the progressive realization of human rights. However, the ability of the state to meet these obligations rests on two things that is the availability of resources as well as allocation of sufficient financial investment in critical sectors that provides the foundation for the realization of these rights as well as sustainable development. This poses an obligation to a state to ensure sufficient funds through domestic resource mobilization and where insufficient, to secure international assistance.

Most African countries especially in the Southern African Development committee (SADC) are increasingly falling into debt trap and the levels are reaching alarming and unsustainable levels. This has impacted on the realization of social and economic rights as essential services such as decent housing, water and sanitation, education, healthcare continues to be severely undermined as government commits resources to the re servicing of the debt. Due to the failure of the economic structural adjustments Programme (ESAP) in the 1990s, the country continued to borrow new loans from financial institutions such as the International Monetary Fund (IMF), World Bank (W.B) as well as the African Development Bank. Of these new loans, an estimate of US$750 million were accrued not to invest in any particular sector for the realization of socio and economic rights but instead they were accrued for the repayment of old debts. Moreover, the austerity measures launched under the Transitional Stabilization Programme (TSP) in 2018 by the responsible minster for Finance and Economic Development with a deliberate cut in social spending and an increase in tax revenue for example the 2% tax Intermediated Monitory Transfer that has eroded incomes of citizens has further aggravated the situation. All these efforts are in a bid to bring fiscal balance and to raise funds for the repayment of some of the debt that the country owes to international financial institutions such as the IMF and the World Bank.

The impact of this has manifested through poor service delivery as evidenced by shortage of water and poor sanitation in most of the cities leading to the outbreaks of communicable diseases such as cholera and typhoid.

1. Medina, L., & Schneider, F. (2018). Shadow economies around the world: what did we learn over the last 20 years?

There has also been a complete downturn where public hospitals have become death traps for most citizens who constitute the majority living in abject poverty with shortage of essential health drugs and medical supplies as well as poor maintenance of medical equipment. There has also been recent power cuts by the electricity supplier. According to a 2011 Research on Uncovering Zimbabwe's debt by Jubilee Debt Campaign, Zimbabwe continued to pay around US$600 million a year in debt repayment in the 1990s with a cut in social spending and privatization of basic services such as education.

Furthermore, the acquisition of loans often comes with conditionalities from external creditors by which borrowing countries must abide by. However, these conditionalities undermines the ability of governments to achieve development policies in line with citizens' human rights particularly the realization of socio-economic rights which depends on the availability of resources to fulfil them. The IMF and the WB in particular have set conditionalities for both loan contraction and debt repayment by which borrowing countries must abide by. These conditionalities include a reduction in social spending for the servicing of debt, which then translates to non-realization of citizens' rights. For example, the IMF disbursed a US$300 million loan to Zimbabwe between 1981 and 1983. Some of the conditions of the IMF Programme included devaluation, restrictions on government spending as well as a freeze in wages. In Tanzania, debt relief was conditionalized where water was privatized mainly in Dar Es Salaam resulting in severely reduced access to water for the poor both through cuts in water supply as well as exorbitant user fees. However, it is worrying to note that the disproportionate impact of this debt servicing and conditionalities is largely felt by citizens, when in the actual sense the funds borrowed would have been rarely spent in ways that upholds human development and social and economic rights.

In conclusion it is evident from the above that among other factors bedeviling most African countries and to be more specific Zimbabwe, debt is one of them and it impacts on human rights is quite glaring. This can be attributed to how loans were contracted, whether it was in the interest of citizens and whether the conditions set by the external creditors are guided by the principles of national development. The incapacity of the state to provide basic services for the enjoyment of human rights particularly social and economic rights can be attributed to the sovereign debt that government is failing to service. The state must prioritize a rights based approach when it comes to debt management and take additional specific policy measures to uphold issues of transparency, accountability and citizen engagement in debt management.

3. “Loss and Damage” on the Agenda at COP27. What does this mean?

Each year, the United Nations (UN) hosts an annual climate summit referred to as ‘COP’ which stands for Conference of the Parties. COP27, therefore, is the 27th annual UN meeting on climate. Climate change affects the frequency, intensity and geographical distribution of extreme weather events such as storms, floods and heatwaves, and slow-onset events such as sea level rise, ocean acidification, loss of biodiversity and desertification. All of these result in loss and damage, both economic and non-economic. This, in turn, threatens the effective enjoyment of a range of human rights including but not limited to the right to life, water and sanitation, food, health, housing, self-determination, culture and development.[1] For the very first time this year, loss and damage is on the agenda at COP27. Loss and damage refers to the negative consequences of climate change on human societies and the natural environment. Economic loss and damage may include damage to livelihoods i.e., crops, homes or infrastructure. Non-economic loss and damage may include harm to human health and mobility; loss of access to territory, of cultural heritage and of indigenous and local knowledge; and loss of and damage to biodiversity and habitats.[2]

It’s a perverse reality that the countries and communities that have contributed least to the greenhouse gases heating the planet are suffering the most. They are also the least equipped to cope with death and destruction. For this reason, loss and damage discussions are critical to countries such as Zimbabwe. Loss and damage include, and in some cases involve more than that which can be reduced by adaptation. Loss and damage usually cannot be avoided either by mitigation or adaptation. Specific actions to mitigate and adapt to climate change are essential in both developing and developed countries, to avert and minimise the extent of loss and damage they experience. As natural disasters increase both the cost of borrowing and the risk of debt crises in countries in the global south that are often already bearing large external debt stocks. Similarly, unsustainable debt levels can mean less fiscal space and opportunities to face the challenges of adaptation and mitigation, as well as to recover from loss and damage after a climate disaster.

Broader policy and governance arrangements play a significant role. This is because communities’ vulnerability and exposure to climate change is influenced by a multitude of factors, such as land-use planning, access to education and health services, quality and location of infrastructure, and disaster preparedness, targeting the most vulnerable communities and developing policies that address the root causes of their vulnerability, to build resilience against future loss and damage. Presently, the costs for loss and damage are primarily being met by the communities and countries most impacted by climate change rather than those contributing most to the climate crisis. There are continued calls for the creation of a dedicated loss and damage financing facility as this would go a long way in helping developing nations deal with the climate crisis and ensuring that those who contribute the most to the crisis pay for loss and damage.

1. https://www.ohchr.org/en/climate-change#:~:text=Climate%20change%20threatens%20the%20effective,%2Ddetermination%2C%20culture%20and%20development
2. https://www.lse.ac.uk/granthaminstitute/explainers/what-is-climate-change-loss-and-damage/

Developing countries require loss and damage finance which meets the scale of the evolving needs from the impacts of climate change.

In order to support developing countries, it is important to use the phrase “loss and damage” when referring to the impacts of climate change that are unavoided or unavoidable. Furthermore, emphasise must be placed on both the economic and non-economic costs of climate change. This creates solidarity with vulnerable developing countries and also helps raise the profile of Loss and Damage with global change makers by strengthening dialogue, coordination, coherence and synergies amongst relevant stakeholders and enhancing action and support, including finance, technology and capacity building to address loss and damage.[4]

4. Gender Responsive Public Resource Management needed now more than ever in Zimbabwe

ZIMCODD recently published its monthly Public Resource Management Situational Report (PRM Sitrep) which seeks to seeks to examine the use of public resources across the country. The PRM Sitrep remains a quest for horizontal accountability in the utilisation of public resources. While public resources play a critical role in national development and growth, the abuse of public resources has been gaining traction with patronage, rent-seeking and economies of affection at the apex of the factors promoting public resource abuse. The Sitrep is an analysis of public resource monitoring survey results gathered from 57 districts in Zimbabwe covering urban, peri-urban and rural categories across Zimbabwe’s 10 provinces.

According to the ZIMCODD September Public Resources Management Sitrep, Human Capital Development (HCD) continues to be under threat from a dysfunctional health care system owing to a plethora of governance and structural anomalies that undermines the health sector. The Zimbabwean Health Sector is in ramshackle[5] with Zimbabweans crossing boarders to South Africa to seek medical attention. A scenario that has exerted pressure on the South African Health Service Delivery culminating into a health crisis. The remarks by the Limpopo Health Medical Executive Committee, that Zimbabweans seek medical attention in South Africa because its medical facilities have been run down by poor governance and corrupt public officials testifies to this verdict.[6] Thus, the failure by the ruling government to prioritise health sector has affected HCD, through the outbreak of measles,[7] a medieval disease attesting to the incompetence of the government in safeguarding the welfare of the citizens. It is also a clear reflection of the infrastructural gaps and stagnation in the health sector. The outbreak of measles has also worsened health inequalities. The most affected persons are from marginalised and vulnerable communities, which projects the unfair distribution of the economic welfare. This illustrates that the cost of poor governance has detrimental effects on equitable distribution of public resources.

4. https://www.lossanddamagecollaboration.org/whatislossanddamage

5. Zimbabwe health system is in intensive care: how it got there (thezimbabwean.co)

6. Limpopo Health MEC defends her statement on Zimbabweans placing strain on healthcare system - SABC News - Breaking news, special reports, world, business, sport coverage of all South African current events. Africa's news leader.

7. Measles outbreak in Zimbabwe kills 157 unvaccinated children | CGTN Africa

The sitrep further highlights and raises concern about the substantial disparities in allocation of resources between districts and provinces. In spite of the efforts and rhetoric by the ruling government, to reduce inequalities by such mantras as “leaving no one and no place behind”, disparities with regards to public resource distribution have persisted resulting in continuous violation of social and economic rights and deepening poverty. To this end, calls for Gender Responsive Public Service Delivery continues to grow as women lament over unpaid care work.[8] Their unpaid care includes responsibilities such as fetching of water, firewood, taking care of the sick and cooking are worsened by poor public service delivery. In an ideal environment where there is optimum service delivery women will not have to go and fetch water over a distance of 5 or more kilometers. It is therefore evident that Zimbabwe has a long way to go in the fulfilment of women’s rights especially where public service delivery is concerned. While it is commendable that some city councils have taken actionable steps to improve on service delivery, the gendered aspect remains ignored. One such example is the case of water and sanitation and closely linked to it is that of the provision and availability of public ablution facilities. Many women occupy space in the informal economy and sell their wares at marketplaces, however the unavailability of ablution facilities has led to the dehumanizing spectra of resorting to open, public defecation. Negligence by councils to maintain sewer and water systems including poor drainage systems has led to sewage pools in the streets and marketplaces where children are found playing, women sell their wares and also being daily routes for many people.

It is worrisome to note that service delivery has become compromised and questionable in Zimbabwe. The failure by the urban councils to collect refuse is a human right violation as it exposes citizens to health risks and deprives residents of their access to a clean and healthy environment. Most local authorities in the country have been struggling with refuse management. More and more dumpsites are sprouting in residential areas. These sites are not in compliance with the environmental management legislation. Such environments lead to the contamination of water sources resulting in disease outbreaks such as cholera, dysentery, typhoid. These affect women and children the most and can be life threatening. The failure to collect refuse affects women the most as they require safe disposal methods of sanitary wear and diapers. Women are also the primary caregivers and this means that time is taken away from their productivity time to nurse the sick should disease outbreaks occur. It is important to create an enabling environment that is healthy for women and children to live, work and play. To this end, the ZIMCODD PRM sitrep calls on the government to prioritise Gender Responsive Public Service Delivery so as to address the woes of women.

The sitrep concludes that the nature of public resource management in Zimbabwe remains in a sorry state as the plunder of resources continue to pick up steam. On the other hand, infrastructural gaps across the entire public sector undermines service delivery. The effects of poor service delivery has disproportionately impacted on women.

8. Women cry foul over unpaid care work -Newsday Zimbabwe

The situation in the health sector shows disregard of the right to life and makes one wonder government`s sincerity with vision 2030. Therefore, Gender-responsive public service delivery requires that laws, policies, programmes and public services take into account existing structures of gender inequality and proactively aim to overcome and remove those inequalities in order to contribute to gender equality, the empowerment of women and women's enjoyment of their human rights. The full report is found on: https://zimcodd.org/storage/2022/10/SEPTEMBER-2022-Public-Resources-SITREP.pdf