



WEEKLY REVIEW

16 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. Towards Gender Equality Through Equitable Taxes for Women’s Rights

Since the inception of the Second Republic, the government has been implementing “austerity for prosperity” measures. This means that the government has been employing difficult economic measures to reduce public expenditure which the government contended was necessary for the growth of Zimbabwe’s economy. Already poor and vulnerable people disproportionately bear the brunt of shrinking government and declining public service delivery.

Austerity measures accompanied by increased tax burdens such as the 2% tax and high presumptive taxes do more harm to lower and medium-income brackets. This, in turn, has far-reaching consequences for women. Women and girls are disproportionately affected by global economic and taxation systems. Although tax challenges differ from country to country, women tend to pay more taxes and benefit less from them as gender-biased and regressive tax systems continue to impede the realization of socio-economic rights for women.

How tax is raised and spent matters for women because women tend to seek services funded through taxes more than their male counterparts. There are many ways in which tax can bring about positive change in women’s lives. Globally, women perform most of the unpaid care work – this includes caring for children, the elderly and the sick, fetching water and performing household chores. As a result, women have become overrepresented in poorly paid precarious work. Governments have the responsibility to end gender inequality and ensure that women’s rights are promoted, protected and fulfilled. One of the major strategies for ending gender inequality is to provide quality public services through progressive taxes that do not place an unfair burden on women.

The socio-economic crisis triggered by the COVID-19 pandemic has worsened the situation. It brings to the fore the urgency for structural changes to make taxes work for women. To promote sustainable economic growth and poverty reduction, development efforts must ensure that policy intervention in taxation systems does not negatively affect the intended outcomes in the area of gender equality. Under the Sustainable Development Goals (SDGs), agreed upon in 2015, the international community, Zimbabwe included, committed to eradicating poverty by 2030. The 17 SDGs include goals to achieve gender equality, provide for decent work and economic growth as well as reduce inequalities. These can be achieved through the empowerment of all women and girls by providing women with equal rights to

economic resources, recognizing and valuing unpaid care and domestic work through the provision of public services.

To fund essential public services, governments must raise revenue and this is done through taxes. Tax is the largest and most sustainable way to generate income for many countries. The spending of tax revenue is a matter of human rights and gender equality as all citizens must pay their fair share and benefit equitably from taxes. Such taxes must be progressive, meaning that those who have more income should pay a higher proportion of their income in tax than those who earn less.

Zimbabwe is known to give away tax holidays to multi-national mining companies and large corporates, such as Huawei and large mining companies while services that women need for example, healthcare services, continue to struggle in terms of funding. Moreover, such corporates are notorious for tax avoidance and evasion. Instead, taxes can be collected from such large corporates and directed toward the progressive realization of women's rights.

While the government has taken steps towards eradicating gender inequalities through the suspension of indirect taxes such as value-added tax (VAT) and customs duty on the importation of sanitary wear for women,¹ there is still a long way to go. Bridging the inequality gap brought about by taxes requires a lot more. VAT, a form of indirect tax, can exert a gender bias due to women's different consumption patterns. Women tend to purchase more goods and seek services that promote health, education and nutrition compared to men. This in turn means that women bear a larger VAT burden if the VAT system does not provide for exemptions, reduced rates, or zero-rating. The same applies to ensuring a sufficiently high tax-free allowance for small entrepreneurs, most of which are women. More generally, because of women's lower income, a tax policy that solely focuses on increasing indirect taxes such as the VAT instead of also increasing direct taxes (income taxes) is likely to be more burdensome for women.² This applies to Zimbabwe's 2% tax for local currency transactions and 4% for foreign currency transactions, which places a heavier burden on women who have a lower income than men and form the larger part of Zimbabwe's informal economy. The role of indirect taxation in perpetuating gender inequalities should be interrogated as the most progressive taxes, being those on personal income and wealth, whose scale tips more towards men, are underused.

In order to raise more tax revenues for public services, and to do so in ways that promote women's rights rather than undermining them, the government must:

- Maximize available public resources, notably tax revenues, to invest in gender-responsive public services that will help to end gender inequality and fulfil all women's human rights.
- Establish gender-responsive budgeting to ensure tax revenue is collected and spent in a way that promotes gender equality and upholds the right of all women.
- Raise taxes in the most progressive way possible, with more emphasis on direct taxation of income and wealth.

¹ <https://www.zimra.co.zw/news/2076:suspension-of-duty-on-sanitary-wear-for-women-2> .

² OECD Gender and Taxation: Why care about Taxation and Gender Equality? Available at <https://www.oecd.org/dac/gender-development/44896295.pdf> .

- Ensure that companies are paying their fair share of tax including cutting back on tax incentives and curbing illicit financial flows and tax evasion by multinational corporations and wealthy elites.³
- Carry out tax impact assessments to identify the direct and indirect effects of taxes by gender, paying particular attention to the impacts of both taxes and public spending on the poorest women.⁴

2. Economic Outlook: 2023 general elections prove to be the greatest risk

The Russia-Ukraine war and its primary ripple effects on international trade and cooperation is a major source of volatility and uncertainty particularly for developing country economies like Zimbabwe. This war poses catastrophic long-term impacts on global economic activity. It is already compounding the problems that were initially worsened by the COVID-19 pandemic such as public debt. Many emerging and developing market economies are grappling with unprecedented debt levels with many at risk of defaulting. As their debt ratios breach 100% of the gross national product (GDP), debt servicing costs are now gobbling the larger chunk of government budgets thus crowding-out critical public services, safety nets, and infrastructure development.

With an uncertain future for the global economy, it is looking gloomy for Zimbabwe, a country that heavily relies on both primary commodities and foreign-produced goods. Zimbabwe's economy is inadequately insulated from global economic fluctuations. Since 2019, the nation has struggled to contain excessive currency fragility and is experiencing a sustained increase in general prices that continues to plunge the majority of the population into poverty. For instance, official statistics show the price of basics mounting by 268.8% in the last 12 months through October 2022. The World Bank also estimates that 40% of the population is living in extreme poverty.⁵ Independent economic commentators attribute all this to economic and financial mismanagement -policy inconsistency, fiscal indiscipline, corruption, and impunity. The obtaining dire socio-economic situation is likely to worsen as the nation gears for a general election in less than 7 months.

Generally, in a developing nation set-up, elections pose greater economic risks. The election cycles are characterized by political violence, police brutality, unwarranted civil arrests, and a compromised judiciary. Also, the election risk flows from the 'politics of public spending' as many empirical studies like the one by Ebeke and Olcer (2013)⁶ show that during election years, government consumption increases leading to higher fiscal deficits. A granular analysis of government policy direction in recent months signals elevated fiscal spending for 2023 due to political pressures. For instance, the government has announced plans to increase household agricultural support for the 2022/23 season under Pfumvudza Scheme to 3.5 million from 2.3 million who participated in the previous season.⁷ This comes at a time the cost of

³ <https://www.globaltaxjustice.org/en/latest/we-need-tax-justice-gender-equality-now> .

⁴ Global Alliance for Tax Justice #Tax Justice for Women's Rights. Available at https://www.ohchr.org/Documents/Issues/Development/IEDebt/WomenAusterity/GlobalAllianceTaxJustice_1.pdf .

⁵ <https://www.africa-press.net/zimbabwe/all-news/40-of-zimbabweans-living-in-extreme-poverty-world-bank>

⁶ <https://www.imf.org/external/pubs/ft/wp/2013/wp13153.pdf>

⁷ <https://www.herald.co.zw/pfumvudza-targets-35-million-households/>

fertilizers and some inputs have burgeoned significantly driven by the war and the subsequent out-of-control global inflation.

A question for objective inquiry is, whether the doubling of 2023 Pfumvudza beneficiaries is coincident or a deliberate move to appease the ruling party's rural strongholds? State-funded farm inputs are reportedly being distributed on a partisan basis. In an ideal set-up, productive government subsidies should be allocated to all intended beneficiaries transparently to curb abuse and waste of taxpayer money. While the public commends the government's support for the vulnerable groups like the smallholder farmers, it remains to be seen if the Treasury will be able to bear this rising spending burden sustainably, that is to say, attaining optimal spending levels that ensure the stability of its financial position.

However, based on historical trends, there is strong basis to question the sustainability of increased public spending aimed at shoring up incumbents' electoral chances. As such, already overtaxed economic agents should brace for increased and regressive taxes as Treasury will be forced to match revenue collection with spending needs. The adverse impacts of high taxes on the general well-being of the economy and citizens cannot be overemphasized. High taxes have negative effects on domestic production, the ability to work & save consumer incomes, and poverty prevalence. More so, the nation has witnessed regressive legislation being proposed like the pending Private Voluntary Organizations (PVO) Bill. The PVO Bill seeks to silence civil society despite it being crucial in a growing democracy. Also, these proposed regressive Bills if passed would leave the poor and vulnerable who are relying on support from non-governmental organizations worse off. For instance, the health sector receives hundreds of millions of US dollars in aid annually to fight malnutrition, malaria, HIV & AIDS, and sexually transmitted infections (STIs) among other health initiatives.

It is, therefore, the public's view that in order not to derail the moderation of currency depreciation and price inflation witnessed in recent months, authorities should prudently navigate the upcoming election season. There are increasing calls to ensure that the Treasury cool down election-linked spending pressure in the months ahead otherwise the private sector would be crowded-out by excessive domestic public borrowing. Thus, the nation will remain trapped in a vicious circle of macroeconomic volatility. Also, the public calls out lawmakers not to pass archaic legislation that scares away investment and isolates Zimbabwe from the international community. Progressive legislation is critical for robust and sustained economic growth as it will not be based on short-term and selfish political motives.

3. When corruption becomes a lifestyle, the poor and vulnerable suffer

Systemic corruption, political risks, and financial uncertainty within the public sector in Zimbabwe's public sector continues to restrain government's stated efforts to achieve a prosperous and empowered middle class economy by 2030. Zimbabwe ranks 157 out of 180 countries in the 2021 Transparency International Corruption Perception Index. This attests to a perception and lived reality of endemic corruption in the public sector.

Zimbabwe loses an estimated \$1 billion annually to corruption, with police and local government officials among the worst offenders. Despite Zimbabwe's anti-corruption efforts,

high level and institutionalised corruption remains an unrestrained source of resource leakages away from the public benefit and into the hands of private elites. This significantly compromises the country's domestic resource mobilization drives and efforts toward debt servicing, public health, social protection, education, poverty reduction, climate change adaptation and economic rehabilitation.

The question remains valid, 'when corruption becomes a culture, what becomes of the poor and vulnerable who depend on public services?'

High-level institutionalized corruption has persisted over time from as long back as the 1986 NRZ scandal; the 1987 ZISCO Steel and Air Zimbabwe Fokker Plane scandal; the 1988 Willowgate scandal; the 1989 ZRP Santana scandal; the 1994 War Victims compensation scandal; the 1995 GMB grain scandal; 1999 NocZim scandal; the 2001 Harare Airport scandal; the 2008 – 2014 Airport road scandal; the 2016 Command Agriculture scandal; the 2020 Draxgate scandal; the 2022 Pomona wastegate scandal; the 2022 Parliament Laptop scandal among others. The 2019 NSSA scandal which has left the elderly destitute after a lifetime of working and contributing to NSSA, thereby impacting on their welfare and right to a dignified life. It is therefore pathetic to note that as with the Mugabe regime, similar trends of corruption, abuse and mismanagement of public resources have continued tenaciously under the current administration.

To date, public procurement remains in a sorry state with government departments, ministries and parastatals failing to comply with procurement regulations. The PRAZ this year condemned the awarding of an US\$ 87 million tender to Grindale Engineering raising issues related to organizational capacity. It was reported that even after PRAZ raised concerns about Grindale's capacity to undertake work of that magnitude, ZINWA disregarded the concerns and proceeded to pay US\$ 2 million as a deposit for the work to begin. In the same vein, the Wadyajena's Cottco saga which led to his arrest on allegations of fraud and money laundering amounting to US\$ 5.8 million reflects the depth and breadth of corruption and abuse of public resources at the expense of the poor and vulnerable as this was happening at a time when cotton farmers are being neglected with the parastatals failing to make payments to farmers on time.

Chapter 17 of the constitution lays the bedrock for effective Public Finance Management and is aided by different pieces of legislation such as the Public Finance Act, the Audit Office Act, and the Debt Management Act, among others, to ensure prudence in public finance matters. Further, in its anti-corruption efforts, Zimbabwe is commended for putting in place the Parliament of Zimbabwe, the Procurement Regulatory Authority of Zimbabwe (PRAZ), the Office of the Auditor General's Office (OAG), the Zimbabwe Anti-Corruption Commission (ZACC) and the National Prosecuting Authority (NPA) as some of the key oversight and accountability institutions. These institutions are charged to promote transparency, accountability and responsibility in public resource management. The critical questions, however, are: have the legal and institutional frameworks provided the necessary safeguards for prudent public resource management? Have the frameworks managed to curb the misuse and abuse of public resources by those entrusted to raise, manage and expend them? It is depressing to note that for instance, ZACC which should be a custodian and overseer of transparency and accountability, failed to submit its 2021 financial statements for audit by the supreme audit institution, the OAG. Who then will police the police?

While State Owned Enterprises (SOEs) and Parastatals play a pivotal role in enabling service delivery and driving economic growth, factors such as poor governance, endemic corruption, illicit financial flows, impunity and partisan hegemony in the political economy have seen a dearth of service delivery by parastatals. An NRZ internal audit report, submitted to government authorities on 31st March 2022, unveiled the governance rot and looting by the board and senior officials through wasteful expenditure and unsubstantiated payments. NRZ has failed to resuscitate viability in its operations which is vital not only for effective public transportation but to reawaken industry across the country. The crippled and dilapidating NRZ has also become cash-strapped, spending approximately US\$ 3.5 million annually. Since 2008 when NRZ was under the leadership of Air Commodore Karakadzai who looted resources ahead of the appointment of the new government, the state of Zimbabwe's transport, infrastructure and utility development continues a downward trend and falling below the targets of the NDSI.

The rot in the public sector has also been propelled by weak governance systems, poor ethics and accountability. As such, public finance management has remained poor with public officials promoting under dealings. The suspension of the National Social Security Authority (NSSA) General Manager (GM), Arthur Manase in July is a clear case of how public resource management remains wanting. Manase received a US\$750 000 housing loan and continues to receive a monthly US\$2 500 housing allowance to service the loan even though he already owns a home. The GM also has five luxury vehicles while NSSA continued to give approximately ZWL14 000 to pensioners, an allowance that is way below the poverty datum line.

Local governance institutions are poised to foster development as they are at the center of people's participation and have also been found wanting with respect to corruption and abuse of public resources. In Zimbabwe, the local government sector is positioned to stimulate good governance and development, courtesy of the decentralization policy adopted by President Mugabe at independence in 1980. However, citizens have been betrayed by the much-needed public service delivery resulting in the break of the social contract and growing public mistrust. ZACC has this year investigated several local authorities concerning their devolution expenditure from 2019 to 2021. Some of the local authorities which are under investigation include but are not limited to Mutoko Rural District Council, Norton Town Council, Umzingwane Rural District Council, and Umguza Rural District Council. Approximately, 2.2 billion was disbursed between 2019 and 2021 to local authorities however accusations of abuse of funds and mismanagement hampered service delivery. A case in point is that of the Guruve Rural District Council CEO Tinos Marisa, who "faced abuse of office charges, theft of bricks, drilling boreholes at his farm using council property and misuse of devolution funds". It is alleged that the CEO drilled a borehole at his farm using devolution funds.

The Auditor General has perennially unearthed the rot in the public sector which is manifesting at all levels of government ministries, departments, and agencies. This is pathetic in a context where extreme poverty has reached astronomic levels with more than half of the population failing to afford basic commodities. As such, accessibility to basic services such as health care, education, and water has remained the biggest challenge that Zimbabweans continue to face. Basic services have been privatized and hence have become a luxury for the majority poor and a privilege for a few.

ZIMCODD, therefore, continues to call on the government to urgently put in place strong accountability measures to arrest the scourge of corruption in the country. The government must demonstrate a political will and commitment to transparency and accountability by fighting corruption and ensuring that offenders pay back stolen public resources. The appalling statistics of poor public service delivery need urgent redress. This necessary redress must manifest in tangible steps to implement economic and governance reforms within the Public Finance Management (PFM) system including aligning laws to the constitution.