Weekly Dashboard

Forex Auction Weighted Rate

Week	08.11.2022	15.11.2022
Per USD1	635.4799	639.1039

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%

WEEKLY REVIEW

22 November 2022

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1. Sustainable economic growth: The call for economic and structural reforms in Zimbabwe

Zimbabwe's economy is marred by structural rigidities causing excessive pricing distortions and weak economic growth. Structural rigidity can be defined as a lasting feature caused by a set of institutions, which prevents a market from operating freely. These rigidities take various forms including institutional, money wages, product price, and production functions among others. In Zimbabwe, structural reforms are very unpopular to those familiar with the International Monetary Fund (IMF) sponsored Economic Structural Reform Programme (ESAP) which was started to be implemented around March 1991.

To reduce the size of the budget and promote private-sector-led economic growth, ESAP led to the devaluation of the local currency, a move that resulted in a massive loss of value as inflation raged havoc thus contributing to brain drain. It also resulted in the retrenchment of 25% of the civil service, withdrawal of critical government subsidies, commercialization and privatization of some state-owned enterprises, and introduction of user fees in education and healthcare sectors among others.[1] These ESAP initiatives received backlash from the people as it came at a time the government was expected to continue expanding the social sector to redress socio-economic imbalances brought by colonization. By scaling down social services, the poor and marginalized communities were disproportionately affected. Other commentators point out that the programme increased the gender divide in the health, education, political, and business spheres.

The government further introduced painful austerity measures under the Transitional Stabilization Programme (TSP) (Oct 2018-Dec 2020). Monetary authorities implemented currency reforms culminating in the re-birth of the Zimbabwe dollar (ZWL) which was earlier abandoned in 2009 after a record 2008 hyperinflation. The official migration from a fixed ZWL exchange rate under the multicurrency to a floating regime in 2019 led to a massive loss of income and wealth. To date, the ZWL continues to lose value. This can be attributed to the fact that it was introduced in a context of weak macroeconomic fundamentals, flip-flopping monetary policymaking, and plummeting market confidence. Furthermore, austerity led to the introduction of more regressive taxes like the unpopular 2% tax (Intermediated Money Transfer Tax) which sent market prices haywire.

1. https://www.thepatriot.co.zw/old_posts/esap-was-never-ideal-for-zim/

Price inflation which was recorded at 20.9% as of October 2018 mounted significantly to close 2019 at 521% before it reached a post-dollarization all-time high of 837.5% in July 2020. Consequently, poverty widened with current ZIMCODD estimates showing that 70% of the population is wallowing in poverty and 40% are in abject poverty.

The foregoing affairs have increased the phobia of economic and structural reforms among economic agents particularly poor households who disproportionately bear the inflation tax, dwindling real incomes, and delivery of poor and unaffordable social services ex-post. Nevertheless, the current social and economic environment is calling for increased political will to implement deep economic and structural reforms if Zimbabwe is to attain stable sustainable economic growth and equitable distribution of national wealth. These reforms will challenge obstacles to the fundamental drivers of growth by liberalizing labor, product, and service markets, thereby encouraging job creation and investment and improving productivity.[2] If properly designed, these reforms are crucial in boosting an economy's competitiveness, growth potential, and adjustment capacity.

It is worrisome to note that public institutions in Zimbabwe have been compromised by corruption. In development economics, institutions are viewed as rules of the game or more formally, as the humanly devised constraints that shape human interactions.[3] In consequence, institutions structure incentives in human exchange, whether political, social, or economic. The prevailing weak institutions, for example, Zimbabwe Human Rights Commission (ZHRC) are failing to be the last line of defence and protector of human rights. From the monetary front, the Reserve Bank of Zimbabwe (RBZ) is not transparent in its dealings and enjoys limited independence from fiscal authorities thus affecting the credibility of monetary policy. This explains why 4 years after being introduced, the market is not confident in the local currency. There are also price rigidities in Zimbabwe, for example, in the agriculture sector where the price discovery processes are failing farmers, particularly the smallholder farmers who are forced to sell their produce at GMB's undervalued prices. Given the cobweb phenomenon in agriculture, poor pricing is affecting activity in the sector as some farmers exit the sector.

There are also other sectors of the economy like ethanol and the fuel sector which are too concentrated. The lack of competition in such sectors is leading to overpricing of goods and services thereby affecting the poor majority. Therefore, the public calls for the government to swiftly implement reforms to improve competition and market price discovery. The existing institutions require reconfiguration in terms of the quality of personnel, operational procedures, and methodologies. There is also a need to improve the quality of public taxation systems to encourage innovation and address the challenges of the poor population in the welfare state. More so, with reforms, fiscal authorities will be able to tighten public finance management systems to curb leakages from corruption and illicit transactions.

2. https://ec.europa.eu/info/business-economy-euro/growth-and-investment/structural-reforms/structural-reforms-economic-growth_en

3. https://1library.net/article/institutions-rules-game-state-state-institutional-interaction.qvx51n0y#

2. Will Mthuli Ncube bring much-needed relief to struggling Zimbabweans?

The Treasury Chief and Finance Minister, Prof Mthuli Ncube is set to present the 2023 National Budget this Thursday, 24th November 2022. The budget is presented at a time when poverty is deepening, inequalities widening between the rich and the poor; public debt soaring; and the climate change crisis intensifies. The budget is also being presented at a time when the government has failed to tame inflation, and this has weakened disposable incomes for the working majority in Zimbabwe. The budget is again being presented at a time when the government is focusing on the upcoming harmonized elections. At the same time, the 2023 budget is coming against a background of a supplementary budget which was presented in July 2022 in which treasury proposed an additional spending of ZWL$929 billion bringing the total 2022 expenditure at ZW$1,898 trillion. As the people of Zimbabwe wait in anticipation and hope, the question is: ‘Will the 2023 budget be a panacea to the plight of poor and vulnerable Zimbabweans?’

The citizens expectations are important to consider. If the 2023 budget is a people’s budget, it must:

1. Bring tax relief measures to the overtaxed citizens including scrapping off or reducing the regressive 2% IMMT tax.
2. Address the ballooning debt burden currently estimated at approximately 17 billion.
3. Put in place measures to maintain monetary and fiscal discipline which includes curbing resource leakages, corruption & illicit financial flows (IFFs).
4. Promote access to water, health, and education to poor and vulnerable citizens.
5. Raise budgetary allocation towards climate adaptation and green projects.
6. Create decent jobs and increase access to finance for youth and women-led businesses.
7. Revitalize infrastructure in critical sectors such as health, energy, transport, education, agriculture and ICT.
8. Broaden and strengthen social protection systems. Set up a disability fund that is aimed at empowering persons with disabilities.
9. Promote localization of economic development, investment and growth in the spirit of devolution.
10. Promote sustainable domestic resource mobilization.

3. Reflections of COP 27: The Establishment of a Loss and Damage Fund

Last week marked the end of the 27th United Nations Conference of the Parties (COP27). Now that the conference has come to an end, it is important to reflect on the[1] discussions and commitments that took place at COP27. 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 and they are also the least equipped to cope with the adverse consequences of climate change. Due to this, loss and damage was put on the agenda this year and pursuant to the discussions which took place, the Parties acknowledged the urgent and immediate need for new, additional, predictable and adequate financial resources to assist developing countries. This will be done through providing and assisting in mobilizing new and additional resources, and that these new arrangements complement the existing arrangements for financial support from other sources, funds, processes and initiatives, including outside the Convention and the Paris Agreement.

While recognizing that the fund is a step in the right direction towards climate justice, as developing countries have been seeking financial assistance for loss and damage for nearly three decades, agreements on phasing out fossil fuels did not materialize and resulted in yet another year of lack of accountability for polluters. Reducing emissions is important but hardly any progress was made as governments failed to commit to phase out the three primary causes of loss and damage, mainly, coal, oil and gas and this in turn fails to address the 1.5˚C target regarding fossil fuels set at COP25 in Paris. At COP25, countries came together in a legally binding treaty and pledged to hold global heating to temperatures below 2˚C, with an aspiration not to breach 1,5˚C. Despite the fact that this was not adequately addressed this year, the commitments at previous conferences should not be forgotten or done away with as they are still necessary in trying to achieve just climate action.

The climate crisis is happening against a backdrop of overlapping global food, energy and debt crisis. Climate finance is repeatedly failing to reach local solutions together with the people that need it most. Most climate finance efforts have been focused on mitigation, creating an increasing need to mobilise more adaptation finance to help achieve the targets set in the Paris Agreement.[4] The loss and damage funding facility, if channeled towards the most affected people and areas will go a long way in further easing the debt burden of developing countries. Majority of climate finance provided and mobilized by developed countries for climate action in developing countries has been in the form of loans, thus increasing the debt burden of developing countries. The loss and damage fund should not be treated as a charity donation from developed countries but rather as a debt owed to developing countries by wealthy polluting nations for their role in the climate crisis. Developing countries should not bear the costs of mitigating and adapting to a climate crisis that the did not cause and contribute the least to.

4. https://unfccc.int/sites/default/files/english_paris_agreement.pdf

4. 16 Days of Activism against Gender Based Violence: Call for Heightened commitment and action.

The “16 Days of Activism against Gender-Based Violence” is a global campaign run by the United Nations (UN). It kicks off on 25 November, with the International Day for the Elimination of Violence against Women, and runs through 10 December, which is the Human Rights Day. The campaign recognises that violence against women and girls is a fundamental human rights violation and a universal issue with far reaching consequences that prevents them from realising their full potential in all socio-economic and political spheres of their life. Violence against women is the most pervasive breach of human rights worldwide. As the global campaign commences, ZIMCODD calls upon heightened commitment and action from all stakeholders to work together towards increased awareness and addressing Gender Based Violence particularly in the Zimbabwean context where the nation has experienced a spike in violence and early child marriage cases.

Globally, 1 in every 3 women are subjected to physical and/or sexual violence. Due to the COVID-19 pandemic and the general socio-economic crisis that it brought about, violence against women continues to increase around the world, Zimbabwe included. The COVID-19 pandemic has exacerbated gender inequalities at domestic levels thus increasing not only physical violence against women and girls, but also sexual, economic and psychological violence. According to the latest estimates, less than 40 per cent of women who are subjected to violence report it to relevant authorities. Barriers to reporting include shame, stigmas, stereotypes as well as general lack of responsiveness by responsible authorities for example Zimbabwe Republic Police, Gender Commission who has the principal duty to protect women from violence. The perception that intimate partner relationship is ‘a private matter’ and the lack of information on reporting mechanisms and channels discourages victims from taking action.

The state of service delivery which is generally in shambles has further increased the burden of unpaid care work where women are subsidizing services that could have been provided by the government. It has also led to more exposure of women with regard Gender Based Violence. According to UN study on Gender Based Violence risks/experiences related to limited access to wash, access to clean potable water and sanitation (SDG6) is a fundamental and key foundational right, enabling communities to access a host of other rights. It is central to the realization of such rights as quality education (SDG 4), good health and wellbeing (SDG 3) as well as gender equality (SDG 5). However, in many parts of the country including rural and urban, women are exposed to many forms of violence including verbal abuse at boreholes as they look for alternative sources of water. According to UN Women Africa statistics published in March 2019, 1 in 4 women in Zimbabwe have experienced sexual violence. This is fuelled by failure by the responsible authorities to put in place proper gender responsive public services that are sensitive to the needs of women.

The exclusion of women and young girl's participation in key economic governance and decision-making processes that relate to their wellbeing has worsened their vulnerability to violence. As ZIMCODD, guided by the organisation strategy, we remain resolute towards making the vision of the Sustainable Development Goals a living reality for women and girls. The 16 Days of Activism campaign is aimed at raising awareness on gender-based violence, one of the most widespread and pervasive human rights violations in the world as well as to help create more equal and just societies for women and girls.

5. Universities Must Be Centres of Innovation and Development

The growth and development of almost every nation orbit around the ability of higher learning institutions to be innovative. Across the global spectrum, particularly in developed nations, universities have been making ground-breaking researches and discoveries that have had positive impact on humanity. To some, universities played a major role in the famous industrial revolution which brought about optimum efficiency of industries. The discoveries by Harvard Medical Schools have also positively reduced mortality rate. These discoveries include but not limited to 1799 Smallpox vaccine, 1843 Puerperal fever, 1846 Anaesthesia, 1886 Appendicitis, 1890s–1910 Insect-borne disease transmission; scurvy; heat-killed vaccines, 1914 Electrocardiograph, 1922 Insulin; founding of Joslin Diabetes Center, 1923 Heart valve surgery, 1925 Three-flanged nail, 1927 Iron lung syphilis test and 2020 contributed to the development of COVID-19 vaccines.[5] Ironically, in Zimbabwe universities have successfully failed to come up with new innovative ways that foster national development and growth. There have not been ground-breaking discoveries with respect to national challenges. The introduction of education 5.0 has not brought any positive impact except wholesome populistic policies and glorified propaganda. A clear indication of government`s failure to carry out feasibility study prior the introduction of the policy. The announcement by the government that, the University of Zimbabwe will now produce number plates is rather worrying and disheartening, more so from the supposed leading higher learning institution in the country. At a time when other universities are contributing to their countries bid and race for fourth industrial revolution, universities in Zimbabwe are being relegated to the production of sanitizes, face masks and number plates.[6] At this rate, an upper-middle class economy remains a utopian idea. It is also a testament to government`s failure to fulfil the objectives set in the National Development Strategy 1 (NDS1) priority 7 which focuses on Human Capital Development and Innovation.

5. Timeline of Discovery | Harvard Medical School

6. UZ to produce 7 million number plates per year (zimbabwenow.co.zw)