



# WEEKLY REVIEW

18 January 2023

## Weekly Dashboard



### RBZ Interbank Rate

Week	13.12.2022	10.01.2023
Per USD1	671.4466	705.4164



### Consumer Price Index

Month	November	December
	13 349.42	13 672.91



### Inflation

Month	November	December
M.O.M.	1.8%	2.4%
Y.O.Y.	254.96%	243.8%



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### 1. The Paradox of Climate Justice: Germany Finds Hope in Coal

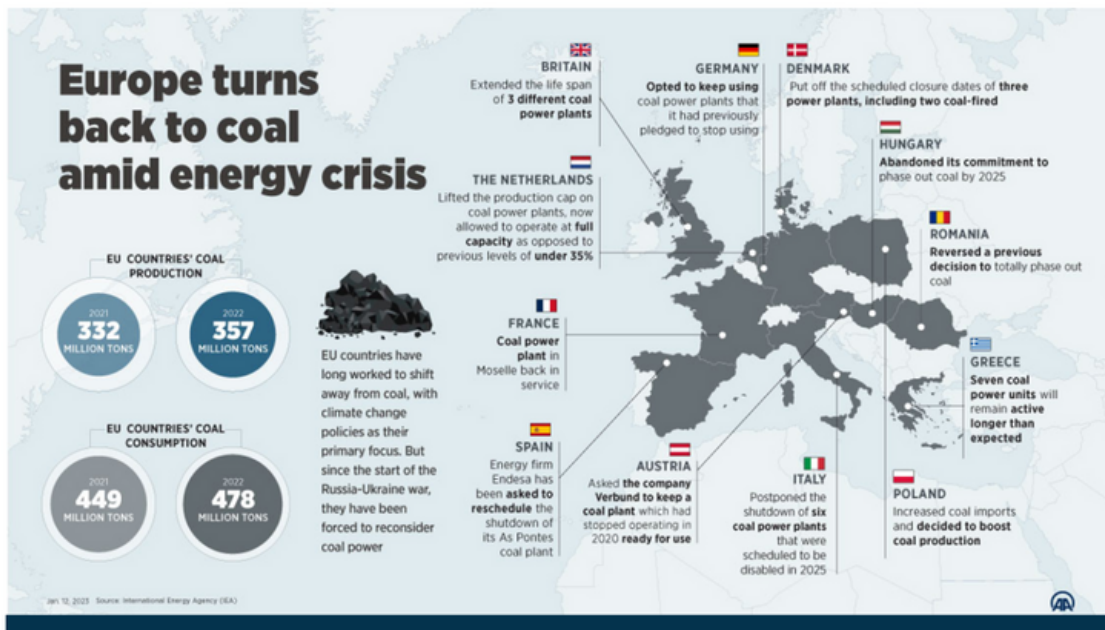
Climate change is real and the planet is warming from the South Pole to the North Pole. Studies have shown that since 1906 global average surface temperature has increased by more than 1.6 degrees or even more in sensitive polar regions.<sup>1</sup> The impact of rising temperatures and climate change is being felt differently across the global spectrum, depending on the national adaptive and preparedness capacity. Climate change has made nations vulnerable to natural disasters of various kinds including earthquakes but for Southern Africa, the most common and destructive have been cyclones which appear to be more frequent and aggressive in recent years. While natural disasters have become common, developing nations and emerging economies bear the cost and devastating effects more than developed nations.

Ironically, the biggest perpetrators of climate injustice proliferating global warming are not the most affected, yet they masquerade as saviors and gatekeepers of climate change detecting what ought to be done and what not. While the threat of climate change is real, developed nations turn a blind eye to the energy crisis being faced by developing nations thereby evading the just transition as well as the loss and damage process. A scenario that has made developed nations lament over climate injustice. The injustice saw the highly polluting and relatively cheap coal making a comeback as governments seek to prevent soaring energy costs from upending economies and destabilizing governments already grappling with high inflation. The crisis is particularly acute in Europe, which has had to wean itself off Russian energy supplies since the invasion of Ukraine.<sup>2</sup> A good example is that of Germany the largest economy in Europe which relied on Russia for more than 50% of its gas supplies before the war.

The use of coal by Germany as an alternative source of energy is a major drawback to the fight against climate change and an acknowledgment of the fact that coal is still a source of hope in the energy fraternity although the ramifications are disastrous. Germany is reopening its coal-fired power plants despite plans to phase them out by 2038. Whereas other nations such as Austria, France, Spain, Greece, Romania, Poland, Italy Hungary and Denmark are bringing back limited capacity, Germany is restoring enough coal to power about 5 million homes (10 gigawatts) according to the Paris-based International Energy Agency. To this end, global coal consumption increased by 1.2% in 2022 compared to the previous year according to the International Energy Agency's (IEA) Annual Coal 2022 Study.

1. <https://www.globalchange.gov/browse/indicators/indicator-global-surface-temperatures>

2. The German town at the heart of a debate over coal and climate | The Japan Times



All in all, the deliberate reliance on coal by developed nations while discouraging emerging economies to do the same has cast a shadow of hypocrisy on the climate change fight. This can be evidenced by how the Industrial and Commercial Bank of China (ICBC) lobbied to stop financing the US\$ 3 billion Sengwa coal project in Gokwe. Given the above scenario, it goes without saying that some nations are more important than others which makes one question the sincerity of climate change and potent of the Paris Agreement and the United Nations Climate Change Conference or Conference of the Parties of the (UNFCCC).

## 2. The Amendment of the Zimbabwe Sugar Production Control Act A Step Towards Trade Justice

The question of trade justice continues to gain traction in Zimbabwe as it is seen as one of the effective ways of promoting social and economic equity in production, particularly in the agriculture sector. Agriculture is regarded as the nerve center and lifeline of the Zimbabwean economy. Zimbabwe has 4, 130,000 hectares of arable land with 25% being cultivated using manual draught power and animal.<sup>3</sup> This issue has been largely blamed on trade injustice within the agricultural sector which systematically relegated the masses in the value chain. The hegemony, elitism, and monopoly in the agricultural value chains continue to exclude the ordinary citizens who on the other hand are the beneficiary of the Fast Track Land Reform Program (FTLRP) of 2000. The monopoly in agricultural value chains is visible in tea, banana and avocado production and more explicit in sugar production. This monopoly is sustained by a myriad of legal, regulatory and institutional frameworks which are outdated. The majority of these legal frameworks were enacted during the colonial administration, in pursuit of the repressive objectives of a settler-dominated, racist capitalist economy that perpetuated the repression of the black majority.

In this regard, the Sugar Production Control Amendment Act served to legitimate the channeling of wealth into the hands of the elite and ring-fence sugar production against the black majority. Therefore, it is against this background that, the Sugar Production Control Amendment Act is necessary for fostering trade justice by confronting the hegemony in the production of sugar through inclusive value chains.

Currently, Tongaat Hullets Zimbabwe (Hippo Valley and Triangle) enjoys a monopoly of sugar production in the country. The Sugar Production Control Act of 1964 prohibits other private players from investing in sugar production as it clearly states that, “No person shall grow sugar cane for the purpose of delivery to a factory unless he is licensed as a grower”. Key informant interviews with farmers from Mkwazine, Chiredzi, Triangle and Mwenezi indicate that sugar production is a closed sector where the vested interest of Multinational Corporations takes precedence over national interest. One key informant noted that “the deep politics surrounding the Tongaat Hullets Zimbabwe operations should never be underestimated, as they go beyond personal politics to national politics and can easily trigger bilateral friction”.

Nevertheless, the interests of Zimbabweans should always come first. The amendment of the Sugar Production Control Act is a positive stride towards correcting inherited colonial imbalances ensuring the success of the National Development Strategy 1 (NDS1). It is in the best interest of the country for the act to be amended to ensure that, viable value chains that break Tongaat Hullets monopoly are established for effective job creation and wealth transfer. Social and economic equity in sugar cane production is imperative in fostering trade justice. The victory in breaking this monopoly will be guaranteed by not only declaring sugar a strategic crop but by seeing to it that robust measures that promote competition among investors are put in place.

### **3. The Intersectionality of Social Justice Issues**

Social justice is built on the pillars of human rights, equity, participation and access. It is the view that everyone deserves equal economic, political and social rights and opportunities. When a society is just, everyone is respected, supported and protected. Social justice issues are intersectional, meaning that they overlap and are interdependent. Here are some of the issues to look out for this year as we continue to strive toward a just and equal society that respects, promotes, protects, and fulfils human dignity, equality, and freedom.

**Climate Change:** Different factors such as agriculture, carbon emissions, fracking, and deforestation drive climate change. Despite decades of warnings and catastrophic events such as drought, cyclones and floods, fossil fuel emissions which are the largest contributor to climate change are not improving. The past seven years have been the warmest on record and climate justice activists continue to call for measures to keep global warming below 1.5 degrees Celsius. If a significant change is not made by global actors, temperatures will continue

to rise and this will result in more extreme weather events. Fighting climate change is important because it affects other issues, such as food security, poverty, gender equality, and more.

**Gender-based violence:** According to the World Health Organisation, about 30% of women<sup>4</sup> have endured physical and/or sexual violence in their lifetime. Most violence is perpetrated by an intimate partner. This type of violence affects a person's sexual, mental, emotional and physical health and well-being. Sometimes, gender-based violence can be fatal. Around the world, approximately 38% of murdered women were killed by their intimate partners. Addressing gender-based violence requires a multi-faceted approach, it must also involve centering survivors. A survivor-centered approach to gender-based violence seeks to empower survivors by prioritizing their needs. Improved gender equality, early education, better legal protections for women, and more are essential pieces of the puzzle.

**Universal Healthcare:** Sustainable Development Goal (SDG) number 3 is “good health and well-being”. It is closely linked to other goals such as clean water, sanitation and zero hunger. To achieve this goal, universal healthcare is essential. Universal healthcare also forms the basis for the human development index which is the summary measure of average achievement in key dimensions of human development. The need for universal healthcare was clear during the COVID-19 pandemic. Healthcare systems around the world were already failing many people before this global pandemic. According to the World Health Organization (WHO), over 930 million people spend at least 10% of their household income on healthcare.<sup>5</sup> In Zimbabwe, the maternal mortality rate is 363 per 100 000 live births,<sup>6</sup> which is one of the highest maternal mortality rates in the world. Universal healthcare ensures everyone has access to all the healthcare they need without financial hardship. It is one of the most urgent social justice issues.

**Poverty:** According to the World Bank, extreme poverty is unlikely to end by 2030, despite being one of the Sustainable Development Goals.<sup>7</sup> COVID-19 was a major contributor to world poverty. In 2020, 70 million people across the globe fell into extreme poverty. This number represents the largest one-year increase since 1990 when the world started monitoring global poverty. Extreme poverty, which is defined as earning less than \$2.15 a day, concentrates in areas where it is hard to address, such as rural areas, Sub-Saharan Africa, and areas with conflict. Ending poverty is complex and involves addressing other social justice issues, such as low-quality education, poor healthcare, and gender inequality.

**Food insecurity:** Due to the compounded effects of climate change, supply chain issues and inflation, food insecurity is an ever-present issue. In 2022, food insecurity worsened when Russia invaded Ukraine and blockaded Ukrainian ports, cutting off grain exports to the rest of the world. While events like war trigger food insecurity, increased hunger has been on the rise for years.

4. <https://www.who.int/news-room/fact-sheets/detail/violence-against-women>

5. [https://www.who.int/health-topics/universal-health-coverage#tab=tab\\_1](https://www.who.int/health-topics/universal-health-coverage#tab=tab_1)

6. <https://zimbabwe.unfpa.org/en/topics/sexual-reproductive-health-5>

7. <https://www.worldbank.org/en/news/press-release/2022/10/05/global-progress-in-reducing-extreme-poverty-grinds-to-a-halt>

The 2022 edition of The State of Food Security and Nutrition in the World (SOFI) report found that hunger affected around 828 million people in 2021, which reflects 46 million people increase.<sup>8</sup>

**State Violence:** Violence perpetrated by the state is a growing concern especially as we head toward the 2023 general elections. We have seen several examples in Zimbabwe, pre-elections, during elections and post-elections. However, state violence is not unique to Zimbabwe. Even in developed countries the issue of state violence has been an issue; in 2020, U.S. protests against police brutality were met by more excessive force from the police. State violence should never be justified as it is not in line with the principles of good governance and democracy.

**Eroding democracy:** Freedom House, an organization that conducts research and advocacy on democracy and political freedom has evidence showing that global freedom is declining. In their 2022 report, they noted that while only 25 countries improved their democracy, 60 countries got worse.<sup>9</sup> Eroding democracy leads to worse human rights violations.

Social justice encompasses many issues and is critical in the attainment of human development, democracy and the fair and proper administration of laws. As previously mentioned, many social justice issues are intersectional, therefore they must not be viewed in isolation. It is important to interrogate systems and practices that continue to perpetuate social injustices. By pursuing social justice and working to reduce inequalities in our society we move closer to the attainment of Zimbabwe's Vision 2030 and the Sustainable Development Goals.

#### **4. Unpacking the ZIMCodd Trade Justice Agenda**

It is widely acknowledged that trade is an impetus for economic growth and development. Focusing exclusively on productivity and economic growth is necessary but not sufficient in itself thus, governments need to ensure that the benefits brought by international trade are more inclusive and responsive to the fundamentals underpinning the Sustainable Development Goals. International trade has contributed to a rise in the living standards of people in many developing countries. However, the process of integration into the global economy through trade has been marred by polarization in income distribution within countries, growing poverty and inequalities. This is against the SDG ethos as outlined in Goal 1 which calls for an end to poverty in all its manifestations and Goal 10 which seeks to reduce inequality within and among countries by 2030.

In its quest to become a global player in international trade, Zimbabwe has been a member of the World Trade Organisation (WTO) since 1995 and has ratified the WTO Trade Facilitation Agreement (TFA). At continental level, Zimbabwe is currently a member of SADC, a 16-member country group that seeks greater economic and trade cooperation and regional economic integration. It is also a member of the 22-nation Preferential Trade Area (PTA) of Eastern and Southern Africa which provides for reduced duties on imports from member countries.

8. <https://www.who.int/news/item/06-07-2022-un-report--global-hunger-numbers-rose-to-as-many-as-828-million-in-2021>

9. <https://freedomhouse.org/report/freedom-world/2022/global-expansion-authoritarian-rule>

Zimbabwe also has bilateral trade agreements with Namibia, Botswana and South Africa and signed the interim Economic Partnership Agreement (EPA) under the Eastern and Southern African (ESA) bloc with the European Commission in 2009 which provides duty-free and quota-free market access to all exports from signatory countries. Zimbabwe further joined the African Continental Free Trade Area (AfCFTA) in February 2020 which aims to create a single continental market for goods and services. The World Bank posits that the AfCFTA promises broader and deeper economic integration and would attract investment, boost trade, provide better jobs, reduce poverty and increase shared prosperity in Africa. The critical question therefore is, has Zimbabwe's affiliation to all these trade agreements become a panacea to the plight of the marginalized smallholder producers and informal traders in Zimbabwe?

Ideally, such trade agreements should promote the pooling of resources, expanded markets, and increased intra-regional trade and investment with greater diversification and value addition. Such trade agreements should place countries in a stronger position to trade in higher value-added products on a more level playing field with major trading partners. But has the playing field been level? For Zimbabwe, the reality has been that the trade agreements are anti-developmental as they threaten government revenue. In addition, local producers and industries, and access to essential public services are also affected as trade liberalization has brought with it privatization, regional integration and capacity of the country to develop its economy based on the needs of its people and own national priorities.

Zimbabwe has opened and exposed itself to a plethora of predatory investors in the current engagement and re-engagement drive under the National Development Strategy 1 in a move to attract Foreign Direct Investments by large multinational corporations and conglomerates. Whether Zimbabwe reaped the anticipated benefits from these investments in the name of international trade or not is a subject for another day. However, history has it that the gains from international trade are most frequently captured by a few large firms, often at the expense of the majority of small enterprises, women entrepreneurs, artisanal and small-scale miners, rural agriculturists, and fishers, among other players. This is largely because such small actors are faced with a myriad of obstacles in benefiting from international trade such as limited information or lack thereof, lack of financing, bureaucracy, red tape, cost of doing business, prohibitive entry costs, and underrepresentation in trade policy decision-making.

For Zimbabwe, the major flaws in international trade have manifested in heightened corruption and illicit financial flows and trade practices which have often side-lined fundamental human rights including life, livelihood, labour and environmental rights. Investors and global giants have betrayed citizens of national revenue inflows and public goods. The foregoing background underscores the need for inclusive and equitable development which can only be achieved through trade justice. To this end, Trade Justice is a critical issue as it is the only way developing countries can extricate themselves from the unbearable debt burden and from a complex web of unfair trade practices by Western and Eastern countries to undermine the economic development of countries like Zimbabwe. Therefore, the demand for trade justice is not a matter of choice but an emergency for developing nations.

To achieve trade justice, trade agreements must:

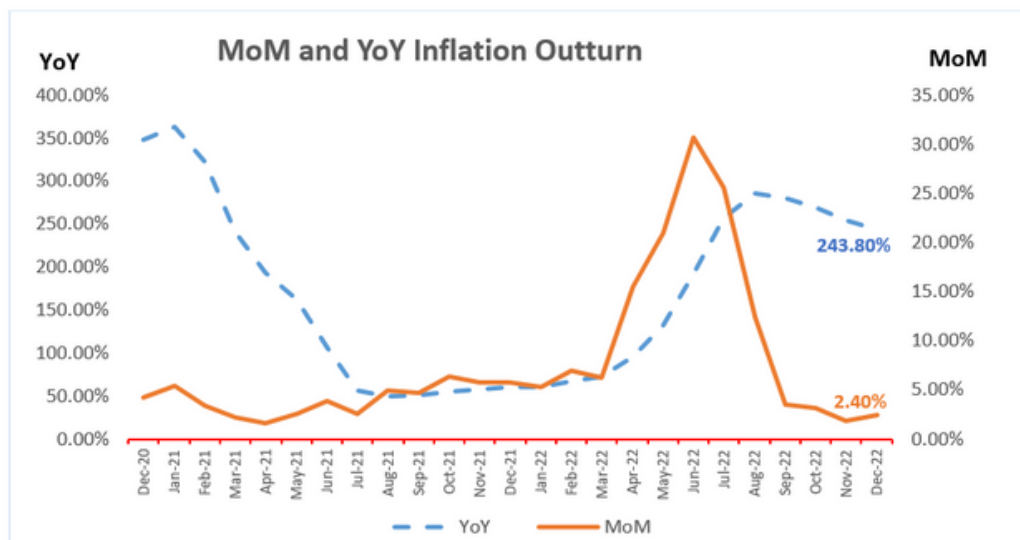
- Protect public services from forced liberalization and privatization
- Ensure fair prices for commodities for smallholder producers
- Support the right to food and equitable access to land and natural resources
- Facilitate access to essential drugs
- Facilitate increased transparency and accountability in the formulation of national trade policies and international trade rules
- Allow developing countries to have the flexibility to regulate foreign investment in the interest of their development priorities and reject harmful free trade agreements
- Regulate corporates to make them accountable to governments and citizens for their social, environmental, and developmental impacts
- Help poorer countries and small firms and producers, marginalized workers and informal traders, women, and youth to more equally benefit from international trade.

## **5. ZIMCDD Economics: Zimbabwe 2023 Economic Outlook**

Zimbabwe's Treasury department presented a ZWL4.5 trillion national budget for 2023 on the 24th of November themed: Accelerating Economic Transformation. These budget expectations were a 3.8% national output growth on condition that the nation will receive good rainfall patterns, stable electricity supply, favourable global mineral commodity prices and tight fiscal and monetary policy stance among many other assumptions. Be that as it may, it remains to be seen if the Treasury will be able to attain these projections given the pending risks to the outlook as dissected hereunder.

The previous year, 2022, presented a bag of mixed economic fortunes with the local currency greatly losing steam in the first half (1HY22) of the year before it reversed course, though slightly, for most of the second half (2HY22), particularly the August-November period. The official statistics from the Reserve Bank of Zimbabwe (RBZ) show that the Zimbabwean dollar (ZWL) lost a staggering 68.9% of its value against the US dollar in 1HY22 from ZWL/USD 115.42 in January to ZWL/USD 370.96 at the close of June largely fuelled by Treasury's fiscal indiscipline due to corruption and impunity, limited fiscal space leading to massive quasi-fiscal operations by RBZ, huge forex allocation backlog on the auction market, and command exchange rate policies (deliberate overvaluation of the official rate) as well as the ensuing principle of rationality (speculation and arbitrage activities). Consequently, general prices mounted by a punitive monthly average of 14.3% in the first half relative to 3.2% achieved for the same period in 2021.





Source: Zimbabwe National Statistics Agency (ZimStat)

Apart from exchange rate pass through to inflation, price growth pressures emanated from food shortages in the formal markets as the nation had experienced a poor 2021/22 summer cropping season. The food category constitutes the biggest weight (about 30.1%) of the all-items of the consumer basket as tracked by ZimStat in calculating changes in the general price level. Yet, statistics show that in 2022 Zimbabwe produced about 1.5 million metric tonnes (MT) of staple maize for both human and livestock consumption against a national requirement of about 2 million MT for human consumption alone. The foregoing vividly clarifies the statement made by the chairman of the Grain Millers Association of Zimbabwe in May 2022: “I am pleased to inform the nation that GMAZ will secure 400 000 MT of white maize from Malawi and Zambia. We expect to start receiving the maize from the end of June”.<sup>10</sup> Market food shortages also forced the Treasury to suspend import duty on basics<sup>11</sup> like rice and flour for 6 months through Statutory Instrument 98 of 2022.

Furthermore, the prolonged electricity load shedding hours implemented by ZESA has increased the cost of doing business which in turn exacerbated the cost-of-living crisis for ordinary citizens. The official ZimStat data shows a continued entrenchment of the majority of the population into poverty as evidenced by a 264.8% jump in the monthly total consumption poverty line (TCPL) per person between December 2021 (ZWL8 009) and December 2022 (ZWL29 219). This is in sync with a July 2022 World Bank report<sup>12</sup> that established that about 40% of Zimbabweans were living on less than US\$1.90 per day -extreme poverty.

The deterioration of the ZWL also contributed to increased income inequality as shown by a worsening Gini coefficient which mounted from 42 in 2011 to 50.3 in 2019. This shows that the prevailing economic system requires a relook as it is living so many people behind and many places marginalized. More so, the geopolitical tensions between Russia and the West as a result of the former’s invasion of Ukraine enormously increased imported price inflation for perennial net-importers like Zimbabwe largely through the Triple Fs: Fertilizers, Fuels, and Food prices.

10. <https://furtherafrica.com/2022/05/30/zimbabwe-to-import-400000-t-maize-from-zambia-and-malawi/>  
 11. <https://www.tralac.org/blog/article/15613-zimbabwe-s-latest-trade-policy-pronouncements-government-suspends-import-duties-and-removes-import-licenses-on-basic-commodities/>  
 12. <https://zero.pindula.co.zw/40-of-zimbabweans-living-in-extreme-poverty-world-bank/>

For instance, fuel which is Zimbabwe's top merchandise import category saw domestic pump prices reaching their new highs in line with global crude oil prices which burgeoned reacting to artificial shortages created by the war's sanctions and countersanctions which disrupted global energy supply chains.

Nevertheless, for the 2HY22 ZWL depreciation moderated relative to 1HY22 registering a 45.79% decline in the 2HY22 to close at ZWL/USD 684.33. This came after a plethora of measures implemented by authorities to boost confidence and restore macroeconomic stability since May 2022. Some of these measures include entrenchment of the multicurrency regime into law, suspension of import duty on basics, increase liberalization of the willing-buyer willing-seller (WBWS) system, the opening of the public transport sector to private players, the introduction of gold coins, lower quarterly reserve money growth targets, clearance of RBZ auction forex backlog and high statutory reserve requirements. Partly due to these measures, the country witnessed a moderation of average monthly price inflation to 8.2% which is about 6.1 percentage points lower than 1HY22 average monthly outturn of 14.3%.

Despite the ZWL deterioration and price inflation cooling down in the 2HY22, numerous endogenous and exogenous economic headwinds faced throughout 2022 as expounded in preceding paragraphs greatly constrained business activity and reduced aggregate consumer demand. As a result, the Treasury was forced to cut its 2022 national output (GDP) projections twice from the initial 5.5% to 4.6% before a further downward revision to 4%. For 2023, Treasury is expecting positive GDP growth although it will be a moderation from the 2022 estimated outturn of 4% to settle at 3.8%. According to the 2023 budget statement, this will be supported by a sustainable fiscal deficit of about 1.5% of GDP, a stable ZWL, and low monthly inflation averaging 1-3%.

However, a granular analysis of the likely risks to the 2023 economic outlook shows that the government will likely miss its growth and price projections. The major risk to government's projections is posed by the upcoming harmonized elections. Zimbabwe's elections are usually characterized by political violence, police brutality and violations of human and property rights. This increases the country's investment risk premium thus constraining employment creation, output growth and wealth creation. The election year has also forced Treasury to table an unsustainable expansionary fiscal policy as evidenced by an approved budget with a staggering deficit of about ZWL575 billion which will be financed by borrowing and money printing. Hence, the injection of excessive ZWL liquidity through election-linked government spending will likely destabilize the exchange rate, particularly in the parallel market. The continued piling of highly regressive taxes by Treasury in a bid to improve the gravely limited fiscal space will also increase transaction costs thus choking economic agents particularly the poor and marginalized.

In addition, the nation is already under the grip of a crippling debt crisis yet the globe continues to experience increased financial tightening (rising interest rates) as major central banks intensify the fight against out-of-control inflation. This ongoing global financial tightening will increase the cost of accessing new borrowing lines as well as the cost of servicing existing debts.

Thus, it increases the risk of social unrest as social service delivery is crowded out amid unbearable inflation and inequality levels. If uncontrolled through a robust reform program and capacitation of oversight institutions, the prevailing structural rigidities posed by public corruption, impunity, and illicit transactions will continue to exert massive pricing distortions thus constraining economic activity. Although the Hwange thermal expansion project with a capacity to add a combined 600 megawatts to the national grid is progressing as expected, the energy shortages will likely persist at least through 1HY23 due to low live water storage at Kariba dam and forex shortages to supplement domestic production with imports.

More so, the lack of adequate national reserves exposes the ZWL to speculative attacks (sudden and massive buying and or selling of local currency to destabilize its value) and the nation to unforeseen adverse events like climate change-induced droughts, floods, and disease outbreaks. The indeterministic nature of the COVID-19 pandemic path as well as a likely prolonged Russia-Ukraine war will continue subduing international trade, cooperation, and conflict resolution. While the mining sector is expected to continue blossoming anchored by high global commodity prices and global demand, the prevailing unsustainable fiscal mining regimes will continue to facilitate revenue leakages at the expense of national development. Again, the government ban on the exportation of unprocessed lithium and other base metals will send mixed policy interpretations by investors and this has the potential to subdue the sector's output.

**Watch out for a detailed report on Zimbabwe's 2022 economic performance and 2023 outlook which will be published by ZIMCODD on Tuesday, 31 January 2023.**

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