WEEKLY REVIEW

31 January 2023

Weekly Dashboard

RBZ Interbank Rate

Week	17.12.2022	24.01.2023
Per USD1	732. 0036	779. 3101

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%

ZIMCODD
ZIMBABWE COALITION ON DEBT & DEVELOPMENT

CONTENTS

1. SADC Region Comparative Debt Analysis

The latest debt report by Zimbabwe Coalition on Debt and Development (ZIMCODD) shows that the external debt stock of low and middle-income nations in Sub-Saharan Africa (SSA) has increased to US$790 billion in 2021 -a new record high. This is a 5.1% and 145.3% jump from US$752 billion and US$322 billion recorded in the decade ending 2020 and 2010 respectively. Consequently, the SSA region's reserves-to-external debt plunged to 15% in 2021 from 19% in 2020 and 48% in 2010.

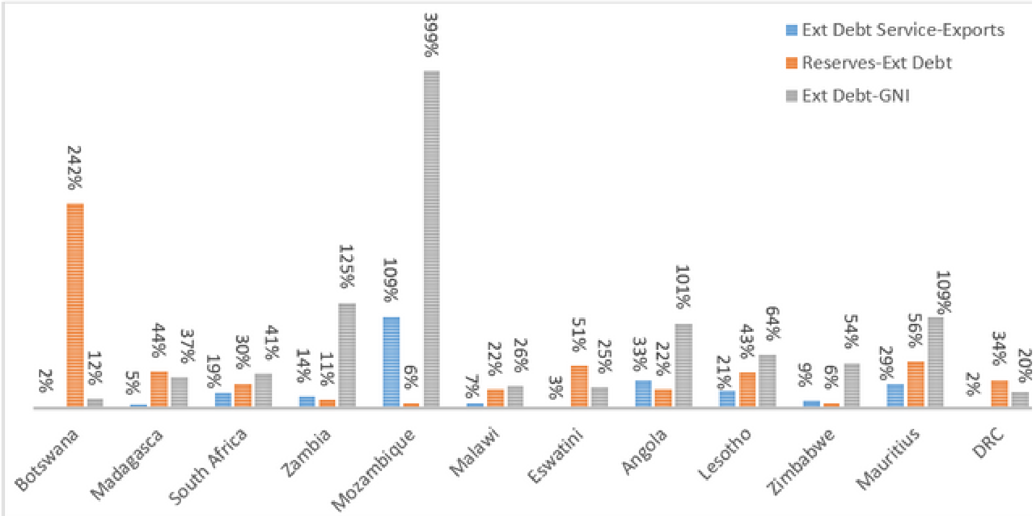
SSA External Debt Stock (US$ million)

	2010	2017	2018	2019	2020	2021
Total External Debt Stock	322	622	665	712	752	790
Long-term External debt	243	524	557	602	627	636
Short-term External debt	59	77	86	87	83	85
Disbursements (long-term)	42	91	90	88	70	79
Principal repayments (long-term)	13	32	51	48	49	61
Interest payments (long-term)	4	14	19	21	19	18
Debt Service-to-Exports (%)	5	13	17	17	20	19
Reserves-to-Debt (%)	48	26	25	22	19	15

Source: *2022 World Bank International Debt Report*

With a laser focus on the Southern African Development Community (SADC) region, the ZIMCODD debt report compared external debt service-to-GDP and reserves-to-GDP ratio among member countries. According to this report, Zimbabwe is now tied with Mozambique as a SADC member with the lowest reserves-to-external debt ratio in the region. This ratio shows how many dollars a country has in reserves for every dollar of debt owed to its external creditors. The ratio also indicates how much money the government is setting aside for future use and its flexibility to react to adverse or unforeseen contingencies. Statistics show that as of December 2021, Zimbabwe and Mozambique had a reserve-to-external debt ratio of about 6%, which is lower when compared to other highly indebted countries in the region like Zambia (11%), Mauritius (56%), Angola (22%), and Lesotho (43%).

SADC 2021 Debt Ratios



It is worrisome to note that Zimbabwe's reserves are dwindling at a time the world is experiencing a seismic shift in climatic conditions as droughts, floods and cyclones are becoming more frequent and having a huge toll on the Global South.

ZIMCODD notes that Zimbabwe is also lagging more SADC members in terms of the external debt service-to-exports ratio alternatively known as the debt service ratio. The debt service ratio is a ratio of debt service payments made by or due from a country to that country's export earnings. As such, it is one of the key indicators for measuring the severity of a country's debt burden. World Bank data shows that out of the 12 SADC nations as covered in the figure above, Zimbabwe is only a notch above the semi-interquartile range of countries with the highest debt service ratios. In short, Zimbabwe is among the SADC nations spending more of their export earnings servicing external debt.

Nevertheless, in terms of transparency of budget processes, as measured by the International Budget Partnership's (IBP) Global Open Budget Survey (OBS), Zimbabwe has moved 11 points up from No. 52 to settle at No. 41 out of 120 countries surveyed globally in 2021[1]. Within the African continent, Zimbabwe is ranked third after South Africa and Benin. This means that the nation is ensuring public access to budget information, allowing the participation of citizens in national budget formulation and implementation, and respecting the role of budget oversight institutions like the Parliament and Supreme Audit Institutions (SAIs). While there is still a lot to be desired in Zimbabwe's budget processes as shown by ZIMCODD's annual open budget surveys[2], the upward trajectory of its global ranking by IBP since 2019 is a welcome development.

But, be that as it may, Zimbabwe is facing an economic meltdown. Despite record generation of foreign currency receipts (up 53.5% from 2020 to US$9.7 billion in 2021)[3], the Treasury is grappling with acute forex shortages to finance infrastructure development, provision of public services (health, education, housing, water, sanitation, etc.), and funding of critical imports like electricity as well as support the tumbling ZWL.

1. https://www.chronicle.co.zw/zimbabwe-scores-high-on-budget-transparency-rankings/
2. https://zimcodd.org/wp-content/uploads/2021/11/Open-Budget-Survey-2021-5.pdf
3. https://www.zimbabwesituation.com/news/zimbabwes-foreign-currency-receipts-hit-record-high-of-9-7-bln-usd-in-2021/

Largely due to a faltering ZWL which had lost at least 80% of its value against the US$ between Jan-December 2022, the country is facing the highest inflation rate globally[4] and this has plunged about 40% of the population into extreme poverty as estimated by the World Bank[5]. As such, to attain sustained economic stability, the government should strengthen transparency and accountability in public finance management. This will instil fiscal discipline across all levels of government, quench borrowing appetite, thwart corruption, improve public service delivery, earn public trust and boost market confidence.

2. Zimbabwean Humanitarian Context And The Future of Human Capital Development

Zimbabwe is engulfed with a gloomy humanitarian context at a time the government pretends to present an effective national resilience front. Last week while in Dakar at the Feed Africa Summit[6], President Mnangagwa asserted that, Zimbabwe was food secure. A statement that fits does not capture the reality on the ground as approximately 3.8 million people from the rural areas and 1.6 million from urban area faces food insecurity.[7] According to the 2022 ZimVAC Rural Livelihoods Assessment Report, approximately 38% of rural households are food insecure a number that is greatly disputable if one is to considered that more than half of the entire country is in extreme poverty[8]. Matebeleland North has the highest food insecurity with 58% households in need of food support. Some of the areas with the most insecure households are Hwange which had 73%, Binga 71% and Buhera 75%.Moreover, according to United Nations Children's Fund (UNICEF), "an estimated three million Zimbabweans, including two million children, are estimated to require urgent humanitarian assistance across the country this year"[9] a clear reflection of the socio-economic challenges confronting the nation.

In addition, youth unemployment was pegged at 77.4% with 53.8% of the youth entangled in drug abuse.[10] A situation that has been worsened by the fact that, government only targets to support 1.5 million children on Basic Education Assistance Module (BEAM) against a 4.2 million demand. The status of national resilience remains a major drawback in terms of attaining vision 2030 and national human capital development which is a prerequisite for national growth and development. Human capital development is further undermined by child poverty which has increased tremendously in Zimbabwe.[11] Approximately, 1/3 women aged 20-24 years married before the age 18, 35% of children between the age of 5-17 are experiencing child labour, while 13% are working under hazardous conditions and over 51% of children are not registered at birth. The plight and agony of children in Zimbabwe worsened by a dysfunctional social protection system which has failed to account for the welfare of children. As a result, approximately 3.5 million children are chronically hungry[12], about 60% of rural

4. https://tradingeconomics.com/country-list/inflation-rate-
5. https://www.africa-press.net/zimbabwe/all-news/40-of-zimbabweans-living-in-extreme-poverty-world-bank
6. https://www.herald.co.zw/president-in-senegal-for-key-feed-africa-summit/#:~:text=PRESIDENT%20Mnangagwa%20arrived%20in%20Dakar%2C%20Senegal%2C%20last%20night,roadmaps%20for%20achieving%20food%20sovereignty%20on%20the%20continent
7. The 2022 ZimVAC Rural Livelihoods Assessment Report
8. 7.9 million Zimbabweans are in extreme poverty.
9. https://www.newsday.co.zw/local-news/article/200006779/3m-face-hunger-unicef
10. The 2022 ZimVAC Rural Livelihoods Assessment Report
11. UNICEF 2021 Zimbabwe Annual Report
12. https://www.voazimbabwe.com/a/zimbabwe-poverty-hunger-widespread-12apr10-90647654/1466737.html

girls and women encounter period poverty thus they lack access to menstrual supplies and education[13] and lastly it is believed that girls who experience poverty miss 20% of their school life[14]. The situation is further aggravated by the fact that 68% of pre-primary aged children (3-5 years) and 47% adolescents (13-18 years) are not in school and approximately 4.5 million children experienced loss of learning due to COVID by early 2021[15]. Child marriage rates remain high at 21.2% for adolescent girls aged 15-18 driven by poverty and social norms.

All in all, the prevailing humanitarian context threatens human capital development which is the nerve-centre of national development. The negative correlation between the humanitarian context and efforts to ensure human capital development creates doubt about a better Zimbabwe unless corrective measures or policies are implemented by the government. These corrective measures and policies must guarantee effective investment in citizens' performance and capabilities by rejuvenating strategic human capital development institutions failure to do so will widen knowledge, skills and competence vacuum. To this end, vision 2030 is attainable, if only the right policies and institutions are put in place, capacitates and address the gloomy humanitarian context.

3. Zimbabwe's taxation regime: Regressive or Progressive?

Despite the social and economic woes being experienced in the country, Zimbabwe's taxation system is more regressive than progressive. Regressive tax system is taken to mean a tax landscape that imposes more burden on poor citizens, a situation which favors or imposes less burden on the rich. On the other hand, progressive taxation in this context refers to a tax structure where the rich are made to pay a higher share of their income and the poor citizens are made to pay a proportional amount of their earnings or lack thereof. Zimbabwe's tax regime can be best understood in the context of the country's commitment to reducing inequality.

Oxfam and its partners produce a Commitment to Reducing Inequality (CRI) Index which ranks 158 governments across the world on their commitment to reducing inequality and measures government policies and actions in three areas that are proven to reduce inequality significantly which are: taxation looking at how progressive structures are on paper and in practice; public services looking at education, health and social protection and worker's rights with a particular focus on women's rights. According to Oxfam, the tax progressivity pillar of the CRI assesses how well a country's tax policies, and their implementation are reducing inequality with the following indicators:

1. Progressivity of tax policies. Are the main taxes – personal income tax (PIT), corporate income tax (CIT), and value-added tax (VAT) or general sales tax (GST) – designed to be progressive on paper? Does their burden fall more on those who can afford to pay?
2. Implementation of tax policies. How successfully does the country collect its main taxes and how progressive does this make tax collection in practice?
3. Impact of tax on inequality. What is the impact of the tax collected on income inequality, as measured by the Gini coefficient?

13. https://www.techwomen.org/girls-education/vheneka-khanyisa-eliminating-the-shame-of-period-poverty
14. https://www.techwomen.org/girls-education/vheneka-khanyisa-eliminating-the-shame-of-period-poverty
15. UNICEF 2021 Zimbabwe Annual Report

Zimbabwe is not faring well on the regional, African, and global CRI Rankings for tax progressivity with the country being ranked 13 out 15 in SADC, 41 out of 47 in Africa and 133 out of 158 globally which shows that the country's tax regime falls more on the regressive side. 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. Tax is the largest and most sustainable way to generate income for many countries. 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. In order to promote sustainable economic growth and poverty reduction, development efforts must ensure that policy interventions in taxation systems do not negatively affect the intended outcomes in the area of poverty reduction, reducing inequalities and gender equality. The urgency for structural changes to make taxes work for ordinary persons is clear. Budget expenditures must be aligned with the objectives and goals of the National Development Strategy 1 (NDS1) and the Sustainable Development Goals. Under the Sustainable Development Goals (SDGs), agreed upon in 2015, the international community, Zimbabwe included, committed to eradicate poverty by 2030 and this can be achieved through progressive taxation systems that alleviate the heavy tax burden placed on poor and marginalized groups.

4. The Rot At Chiredzi Town Council

Poor service delivery, dilapidating infrastructure, burst sewer and water pipers as well as corruption contextualise the state of Chiredzi town. A state that has been infused by maladministration, corruption and a coordinated pursuit of personal interest rather than public service delivery. The configuration of every council in Zimbabwe is made of two independent structures which are the executive and the deliberate. The executive being council employees while the deliberate being the elected councillors who provide an oversight function into the affairs of the local authority. Therefore, for effective administration to prevail, the councillors must remain neutral and vigilant in their oversight role. It becomes problematic when councillors seed their responsibility in pursuit of personal interests. The case of Chiredzi Town Council (CTC) is a case study to the grave effects of how dangerous it is for the two independent structures of the council to work in harmony while advancing personal interests.

According to the report released by the Ministry of Local Government, the coordinated efforts of the two; council executives and councillors is detrimental to good corporate governance which is the foundation of a viable public service delivery. The reported noted that, former council chairman, Francis Moyo, "allegedly received 71 free residential stands from the local authority with 11 being low density and 60 high density."[16] While the other councillors got , "46 residential stands each bringing the total prejudice to the local authority to 393 valued at more than US$1 million." This was against the prescribed arrangement in which councillors are given 1 commercial and 1 residential stand each during their tenure which they pay for at a nominal fee.

Nevertheless, further inquiry into the issue were fruitless as the late CTC secretary Charles Muchatukwa is said to be the one who approved the entire arrangement without even debating the issue in the full council. While it is true that the one who approved the arrangement is late, it is also critical to note that some of the benefactors of this arrangement are still in council possibly hoping to get another stands at the expense of public service delivery. If one is to hypothetically imagine what US$ 1 million could have done with respect to service delivery, Chiredzi town would have been transformed.