

Weekly Economic Review

9 MAY 2023

RBZ Interbank Rate

WEEK 02.05.2023	WEEK 09.05.2023
ZWL 1059.6 per USD1	ZWL 1125.6 Per USD1

Consumer Price Index

MAR 274.01	APR 280.48
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Blended Inflation

MAR M.O.M. 0.1%	APR M.O.M. 2.4%
MAR Y.O.Y 87.6%	APR Y.O.Y 75.2%

Contents

1. Summary	2
2. Weekly Economic Review & Analysis	2
Zimbabwe to hold Structured Debt Dialogue	
Zimbabwe Discovers Light Oil and Gas Deposits	
Zimbabwe Food Insecurity Trending Downwards	
ZERA Reduces Fuel Prices but Remains Above Regional Average	
3. Articles for further reading	7
Is Zimbabwe's Extreme Poverty Man-Made?	
Mainstreaming Gender in Anti-corruption Strategies	

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1. Summary

This week's issue of the review looks at the ongoing structured debt dialogues, confirmation of oil and gas deposits by Invictus Energy, food insecurity dynamics, and the May fuel price review by ZERA. It also contains a section with rich articles for further reading. These are focusing on extreme poverty in Zimbabwe and gender mainstreaming anti-corruption strategies.

2. Weekly Economic Review and Analysis

2.1 Mounting Inflation Drowning the Poor

Zimbabwe is holding another high-level debt forum this week. The last such meeting was held in February 2023 with the attendance of structured dialogue facilitators in former Mozambique President Joaquim Chissano and African Development Bank (AfDB) President Akinwumi Adesina. The duo is championing the government's arrears clearance and debt resolution processes. The forum follows a March technical meeting which was attended by three (3) sector working groups: governance reforms, macroeconomic growth and stability, and land tenure reforms. Zimbabwe is engaging its creditors to clear its debt arrears which have grown unsustainably. Statistics from the Public Debt Management Office (PDMO) show that of Zimbabwe's US\$13.2 billion external debt recorded as of September 2022, arrears & penalties alone account for 50% (US\$6.6 billion) of this total.

The nation's total debt stock was officially recorded at US\$17.6 billion as of the end of September 2022. This debt stock is roughly four (4) times the size of Zimbabwe's average national budget of US\$4.3 billion in the last decade. It also breaches the stipulations of the Public Debt Management Act that debt-to-GDP must not exceed 70% and misses the Southern Africa Development Community's (SADC) debt-to-GDP target of 60% to attain convergence of the regional macroeconomy. The high indebtedness is now crowding out public services and development programs as more funds are earmarked for debt repayments. It is the poor and vulnerable groups like children, youths, and women who are disproportionately affected by a lack of quality and affordable public services and strong safety nets. In other words, the government is handicapped as it is facing a very limited fiscal space and high corruption which is inhibiting its humanitarian response.

More so, because of high arrears on its external debt, Zimbabwe can no longer access external concessionary credit lines to invest in long-term income-generating and jobs-creating national development projects. Consequently, the nation is now resorting to increased taxation which overburdens consumers. The obtaining regressive tax policies such as the infamous 2% tax in a hyperinflationary environment are widening societal inequalities and plunging the majority into extreme poverty.

It is reported that authorities sometimes resort to collateralized borrowing commonly referred to as resource-backed loans (RBLs). These RBLs are fuelling illicit trading as well as unsustainable mineral resource extraction. This is damaging the environment, polluting water sources, and displacing families from communal land to pave the way for miners.

As such, the ongoing structured debt dialogues show that the government is now committed to permanently resolving the debt conundrum, cutting poverty & inequality, and propelling stable, sustainable, and inclusive economic recovery and growth. These dialogues, however, must be buttressed by the increased political will to fully implement necessary and needed reforms – land tenure, governance, and economic reforms. These reforms ensure a thriving democracy, transparent & accountable public sector, ease of doing business, social fairness & inclusion, fair market competition, and increased innovation.

While the public remains optimistic about the likely outcomes of the high-level debt forums, concerns remain around the timing of the talks – an election year. Generally, reforms are difficult as most of the time they require economic agents to make painful trade-offs. As such, this creates an unpleasant situation especially for elected public officials seeking re-election who must appease their electorate.

2.2 Zimbabwe Discovers Light Oil and Gas Deposits

The Australia Securities Exchange (ASX) listed Invictus Energy which has been exploring oil and gas in Muzarabani has announced that samples from its rig site confirmed the presence of light oil, gas condensate, and helium. “Results from the mud gas compositional analysis definitively prove the presence of hydrocarbons in multiple reservoir pay zones at Mukuyu-1 consistent with the wireline log interpretation, fluorescence, and elevated mud gas readings,” reads part of the company’s update to shareholders. The company started drilling one of two well exploration wells for oil and gas in the northern part of Zimbabwe at an estimated cost of US\$16 million in September 2022. This was one of the largest oil and gas exploration prospects to be drilled globally in 2022, estimated at 20 trillion cubic feet and 845 million barrels of conventional gas condensate, or about 4.3 billion barrels of oil equivalent.¹

After an analysis of its sample results, Invictus Energy found the presence of light oil and rich natural gas-condensate, with condensate gas ratios estimated at between 30 to 135 barrels per million cubic feet. Light crude oil has low density, low specific gravity, and low wax content. Since it produces a higher percentage of gasoline and diesel fuel when converted into products by an oil refinery, it receives a higher price than heavy crude oil on global commodity markets.

1. <https://www.reuters.com/world/africa/invictus-energy-starts-drilling-first-exploration-well-zimbabwe-2022-09-26/>

The confirmed gas condensate is used as refinery feedstocks for the manufacture of products such as petrol, jet fuel, diesel, and heating fuels. Some condensates, particularly those with a high paraffin content, are used for the manufacture of ethylene.² Also, the potential for helium gas in commercial concentrations is another big win that will provide an additional high-value by-product that is enjoying elevated global demand. Helium is used as an inert-gas atmosphere for welding metals; rocket propulsion; meteorology; cryogenics; and in high-pressure breathing operations.

Public welcome the good news of the potential discovery of oil and gas in Zimbabwe at a time the nation is facing frequent currency fluctuations, galloping inflation, deteriorating public services, and crumbling infrastructure. As such, for oil and gas to contribute meaningfully to national development, the public expects authorities to embrace the tenets of transparency and accountability, especially in the extractives sector. Zimbabwe reportedly has over 40 minerals on global demand but is struggling to make effective use of these. The nation is characterized by low levels of economic development when compared to its counterparts with low levels of natural resources.

Enabling corruption and illicit flows in the extractives sector include among others rising informality (artisanal mining), resource-backed loans (RBLs), archaic mining legislation, weak accountability institutions, porous borders and ports of entry, antiquated technologies, opacity of granting of mining licenses, contract negotiations, allocation, and accounting of mining revenues, and political interference in mining decision making such as exploration, production, and marketing.

Therefore, Zimbabwe must adopt or devise its local version of the Extractive Industries Transparency Initiative (EITI) standards. The bedrock of EITI is the belief that public resources belong to the citizens hence the need to promote accountability, good governance, and participation of all stakeholders in the mining value chain. As such, the EITI standards bridge the existing transparency gap by making mandatory disclosure of information such as contract awards and licenses, beneficial owners, payments to & revenues received by the government, revenue appropriation by the government, and the actual benefits to citizenry. More so, authorities must expedite the Mines and Minerals Amendment Bill to pluck existing loopholes facilitating illicit transactions and undermining development in mining communities.

2.3 Zimbabwe's Food Insecurity Trending Downwards

The latest results from the Rapid Poverty Income Consumption and Expenditure Survey (PICES) conducted by the Zimbabwe National Statistics Agency (ZimStat) show declining severe food insecurity.

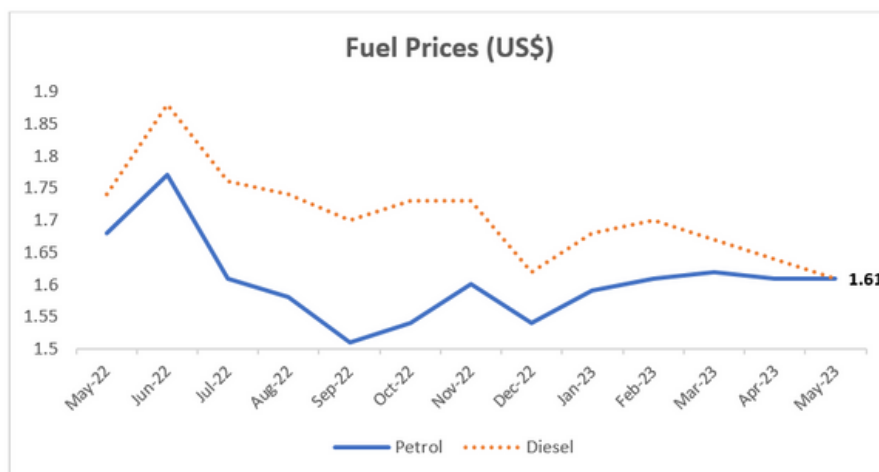
2. https://studybuff.com/what-is-natural-gas-condensate-used-for/.rbz.co.zw/documents/press/2023/March_/Press_Statement_-_MPC_Resolutions_-_29_March_2023.pdf

The proportion of the total population facing food insecurity fell from 27% estimated in 2020 to 9% in the December 2022–January 2023 period. Generally, food insecurity declines when Zimbabwe’s rainfall-dependent agriculture sector receives good rainfall patterns as was the case in the 2022/23 season. 2023 harvests have started in April and are expected to greatly improve food access and dietary diversity across the country. The projections from the Ministry of Lands, Agriculture, Water, and Rural Settlement indicate that Zimbabwe is likely to witness a record maize harvest of about 3 million tonnes from 1.9 million hectares planted by farmers in the 2022/23 season.

The Grain Marketing Board (GMB) has temporarily reduced acceptable grain moisture content from 12.5% to 13.5% to help ensure a quick transition to winter wheat production. Official statistics show that the government is targeting 85 000ha of wheat this winter up from 80 000ha in the same period in 2022. However, anticipated below-average harvests due to poorly distributed rainfall in deficit-producing areas will likely result in some households depleting their food stocks earlier, plunging them into crisis food security outcomes. Currently, market supplies of staple grains are below average. In most markets, staple grain prices in USDs have remained unchanged while ZWL prices have ballooned in line with deteriorating local currency. According to FEWS NET, the prices for wheat flour, maize meal, sugar, and rice have increased by 400 to 545% in ZWLs compared to prices last year, while bread and vegetable oil prices have increased by 240 to 300%. The rising food prices are affecting households' purchasing power, particularly for those that are dependent on the market to buy their food. Be that as it may, significant moderation of seasonal food prices is expected to begin around June 2023 as harvesting become widespread.

2.4 ZERA Reduces Fuel Prices but Remains Above Regional Average

Effective March 2023, Zimbabwe Energy Regulatory Authority (ZERA) reverted to monthly fuel pump price updates. Since May 2022, ZERA has been giving weekly price updates to manage increased global crude oil price volatility caused by the Russia-Ukraine war. In May 2023, ZERA reduced the price ceiling of a liter of diesel by three (3) US cents to US\$1.61 from US\$1.64 in April 2023 while that of petrol was left unchanged at US\$1.61.



Source: ZERA, ZIMCODD

The decline in fuel pump prices since the start of the year is necessitated by subdued global crude oil prices. Zimbabwe imports 100% of its fuel demand hence a price taker of prevailing global prices. Oil demand in developed nations has underwhelmed, slowed by warmer weather and sluggish industrial activity. For instance, the Organization of Economic Cooperation and Development's (OECD) annualized oil demand fell by 390 000 barrels per day in the first quarter of 2023 (1Q23). Also, recovering Russian exports is helping to contain the fragility of global crude oil prices. Statistics from International Energy Agency (IEA) show that Russian oil exports in March soared to their highest since April 2020 driven by surging product flows that returned to levels last seen before Russia invaded Ukraine.

Although domestic fuel pump prices are trending downwards, they remain largely above the SADC regional average. For instance, early May 2023 statistics show that Zimbabwe's diesel price per liter is US\$0.37 above the SADC average of US\$1.24.³ Domestic prices are exorbitant due to high fuel taxes and levies collected by Treasury, near monopoly ethanol market structure, and limited competition in both fuel importing and retailing business. High fuel prices at a time of acute electricity shortages increase business costs of production because fuel can be used as an electricity substitute. Fuel is also an important production input in some industries, facilitates the mobility of factors of production, and supports commerce. As such, existing high inflationary pressures are partly emanating from relatively high fuel pump prices.

In the outlook, surprise oil supply cuts announced on 2 April by OPEC+, a global cartel of oil-producing nations, risk aggravating an expected oil supply deficit in the second half of 2023 (2H23) and boosting oil prices at a time of heightened economic uncertainty. Consumers currently under siege from inflation will suffer even more from higher prices, especially in emerging and developing economies like Zimbabwe.

3. https://www.globalpetrolprices.com/diesel_prices/#hl99

3. Articles for Further Reading

3.1 Is Zimbabwe's Extreme Poverty Man-Made?

Extreme poverty is defined as a condition characterized by severe deprivation of basic human needs while poverty entails the state of being poor. Although the two are closely related, extreme poverty denotes a situation that is more severe and intense than just poverty. For the sake of contextualizing, this weekly review defines poverty as two-dimensional. The first one is poverty and the second one is extreme poverty.

The word extreme poverty is used deliberately to bring to light the scale and magnitude of poverty. Thus, for ZIMCODD extreme poverty entails an accumulation of insecurities due to one's failure to enjoy basic human rights such as safe drinking water, food, health, shelter, sanitation, and education culminating in a cycle of poverty passed down from one generation to the other. Extreme poverty can be natural or man-made as it involves deliberate or unintended social exclusion of citizens. For the United Nations, is living on less than US\$ 1.90 a day.⁴ Therefore, now that extreme poverty has been contextualized, it is critical to examine the same and ascertain whether it is man-made or a result of circumstances beyond human control.

Food Insecurity: Food insecurity has remained one of the major challenges encountered by Zimbabweans across the country. 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.⁵ Matabeleland North has the highest food insecurity with 58% of households in need of food support. Some of the areas within the same province with the most insecure households are Hwange which has 73%, Binga 71%, and Buhera 75%.

ZimStat supports the above verdict by indicating that, *"91% of Zimbabweans can no longer afford protein-rich food such as meat and are largely surviving on vegetables such as rape, covo, and chomolia, among others they can now afford"*.⁶ To this end, because the above statistics on food insecurity are mainly generated from state-sponsored or controlled research entities, it is with no doubt that the figures might be greatly conservative. The situation might be worse than what the government is publishing. This is because the World Bank ranks Zimbabwe first in the top ten countries hit hardest by food inflation in the world.

4. <https://binged.it/41luKhJ>

5. 7.9 million Zimbabweans are in extreme poverty.

6. <https://www.newsday.co.zw/local-news/article/200010077/food-poverty-continues-to-haunt-zim-wb>

Child Poverty: UNICEF 2021 Zimbabwe Annual Report propounded that, Zimbabwe has weak child protection systems that have successfully failed to ensure the safety and well-being of children. UNICEF reported that “4.8 million Zimbabwean children live in poverty and 1.6 million children live in extreme poverty”⁷. The most prevalent issues for impoverished children in Zimbabwe include malnutrition, education, sanitation, and access to potable water.

The Food and Agriculture Organisation (FAO) reported that less than 10% of Zimbabwean children between 6–24 months of age consume a minimally acceptable diet.⁸ Thus, to mean, approximately 90% of children in Zimbabwe are not eating an acceptable or recommended diet henceforth exposed to Severe Acute Malnutrition. This narrative is reinforced by the fact that approximately 3.5 million children are chronically hungry.⁹ The situation is further aggravated by the fact that 68% of pre-primary aged children (3–5 years) and 47% of adolescents (13–18 years) are not in school and approximately 4.5 million children experienced loss of learning due to COVID by early 2021.¹⁰

Period Poverty: About 60% of rural girls and women encounter period poverty thus they lack access to menstrual supplies and education.¹¹ Lastly, it is believed that girls who experience period poverty miss 20% of their school life.¹² A situation that entrenches gender-based poverty.

Education: According to UNICEF 2021 Zimbabwe Annual Report, the COVID-19 pandemic has affected the learning of a staggering 4.6 million boys and girls in Zimbabwe. Approximately, 68% of pre-primary aged children (3–5 years) and 47% of adolescents (13–18 years) are not in school. An assertion supported by a 2022 education fact sheet by UNICEF shows that there was an increase in school dropouts as approximately 50% of children are not in school.¹³

The 2022 ZimVac Reports stated that 51.8% of children were turned down in schools in the 2022 first term for failing to pay fees, while 45.8% dropped out of school. Although there is a 3.2% discrepancy between UNICEF and ZimVac findings on school dropouts, it is still crystal clear that dropouts are a major challenge in Zimbabwe. Poverty remains the driving force, thus the discrepancy must not be used to discredit the findings but rather acknowledged as a research error with no bearing on the state of school dropout.

7. <https://bit.ly/3LMTHNI>

8. <https://bit.ly/42FL3qq>

9. <https://www.voazimbabwe.com/a/zimbabwe-poverty-hunger-widespread-12apr10-90647654/1466737.html>

10. UNICEF 2021 Zimbabwe Annual Report

11. <https://www.techwomen.org/girls-education/vheneka-khanyisa-eliminating-the-shame-of-period-poverty>

12. <https://www.techwomen.org/girls-education/vheneka-khanyisa-eliminating-the-shame-of-period-poverty>

13. <https://bit.ly/3M9QUJj>

Child Marriage: Early child marriages remain high with 34% of girls under the age of 18 married, while 5% of girls under the age of 15 are married.¹⁴ For ZimVac 2022, early child marriage stands at 48.9%. The challenge of child marriage is not limited to the girl child only as approximately 2% of boys marry under the age of 18. However, the importance of this disaggregated data is to bring to light the varying impact and effects of child marriage on the girl and boy child. Although the boy child is also affected by child marriage, the dimension of the plight and agony of suffering being experienced by the girl child is different from the one being experienced by the boy child. Child marriage in Zimbabwe is fuelled by numerous challenges which among them include; poverty, religion, poor access to education, harmful social norms as well as legal gaps. Zimbabwe is among the 20 countries that have the highest prevalence of Child marriage.

Health: The health crisis remains a major challenge for the less privileged as state-run hospitals are in ramshackle and shambles. There are no functioning radiotherapy machines and dialysis machines in the entire country except for Parirenyatwa. For a population of 16 million to rely on a single radiotherapy machine is the greatest injustice against humanity. Brain drain in the sector is high. At the same time, 34% of rural households travel for at least 10 kilometers to the nearest health institution. It is rather ironic that all this misery and agony in the health sector is only felt by the poor as the rich are ring-fenced by their privileges. Thus, they can afford health services anywhere.

Shelter: Approximately 67% of the Zimbabwean population does not own houses or do not live in decent houses. The most affected population is the urban population which majority of them are tenants. Shelter poverty is also facilitated by corruption and politically exposed land barons who are taking away people's money. Currently, Bulawayo City Council's waiting list is at 130 000, while Harare City Council is expected to be between 180 000- 200 000.¹⁵ At the same time, the national housing backlog stands at two million. This points to the scale and magnitude of housing shortages in the country as well as the housing inequality.¹⁶

All in all, the question of whether extreme poverty is man-made or not, generates a lot of emotions and controversy. It is a question that is better understood by one that has been subjected to it. While according to a 2023 Rapid Poverty Income Consumption and Expenditure Survey by ZimStats states that 40% of the population is exposed to extreme poverty there has not been any form of agency from the government to address the same. Government social spending has remained wanting with respect to Basic Education Module Assistance, Harmonised Cash Transfer, Child Protection, and Health Assistance Programs to mention but a few.

15. <https://www.chronicle.co.zw/flats-to-reduce-byo-housing-backlog/>

16. <https://www.chronicle.co.zw/govt-acts-on-national-housing-backlog-2/>

Therefore, bringing to light the question of the government’s sincerity in addressing extreme poverty. The million-dollar questions become; is the government failing to redress extreme poverty or it is just policy inertia? Is extreme poverty a manifestation of multifaceted governance miscarriage? Are there any possible actionable interventions that could have been adopted to address extreme poverty? If yes, why has that not been done? In answering the last question, if the answer is yes, then indeed extreme poverty in Zimbabwe is man-made.

3.2 Mainstreaming Gender in Anti-corruption Strategies

Mainstreaming gender is the process of assessing the implications for women and men of any planned action, including legislation, policies, or programmes, in any area and at all levels. The ultimate goal of mainstreaming is to achieve gender equality.

Impacts of Corruption on Women

Women are in many ways subjected to the same forms of corruption as men, although often – due to gendered power relations, discrimination and vulnerability – to a greater extent. But there are also forms of corruption that are gender specific, this includes sex as an informal currency.

Women’s lack of political and economic leverage reduces their ability to demand accountability or to highlight their specific experiences of and concerns about corruption.

Corruption disproportionately affects women and girls and impedes developmental progress.

Corruption creates barriers to accessing basic public services and resources and because women are the primary users of basic public services (e.g., health, education, water and sanitation), they disproportionately pay for corruption in service delivery.

In addition to reducing resources available to fund public services, corruption imposes informal ‘fees’ for services.

As primary caretakers of family members, women are often in the position of seeking services or resources not only for themselves, but also for other family or community members.

Women’s rights are already restricted because of gender inequalities, corruption creates additional obstacles for them to access public goods and to participate in political and governance processes

Why we should mainstream gender in anti-corruption strategies

Mainstreaming gender in anti-corruption should not be about instrumentalising women to “clean up” government. Rather, it allows us to target anti-corruption efforts towards improving the lives of women.

Allows us to promote, protect and fulfill women’s rights and respond to the different needs of men and women that result from corruption.

Creation of better anti-corruption strategies especially towards corrupt activities that are targeted towards the specific needs of women and men.

Results in more inclusive and accountable governance and better public service delivery.

How?

Introduce a gender focus on anti-corruption measures through mainstreaming gender equality. This can be done through capacity development at different arenas: e.g. government, civil society, and media.

Influence policy makers to acknowledge the need for them to understand the differentiated gendered impacts of corruption, and to design policies that address women and men's specific concerns and experiences.

Support gender analysis and collection of sex-disaggregated data on corruption.

Combine targeted anti-corruption policies with efforts to empower women in governance.

Implement gender-responsive budgeting to ensure that budgets are more responsive to women's needs.

Increase the number of women in government by promoting and supporting the political participation of women and their representation in the public sector in all stages of public service delivery.

Protection of whistle blowers once corrupt activities have been reported- women are less likely to report corruption than men