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Policy Brief

A Preliminary Assessment of the
Socio-economic Impact of Coronavirus
(COVID -19) on Zimbabwe

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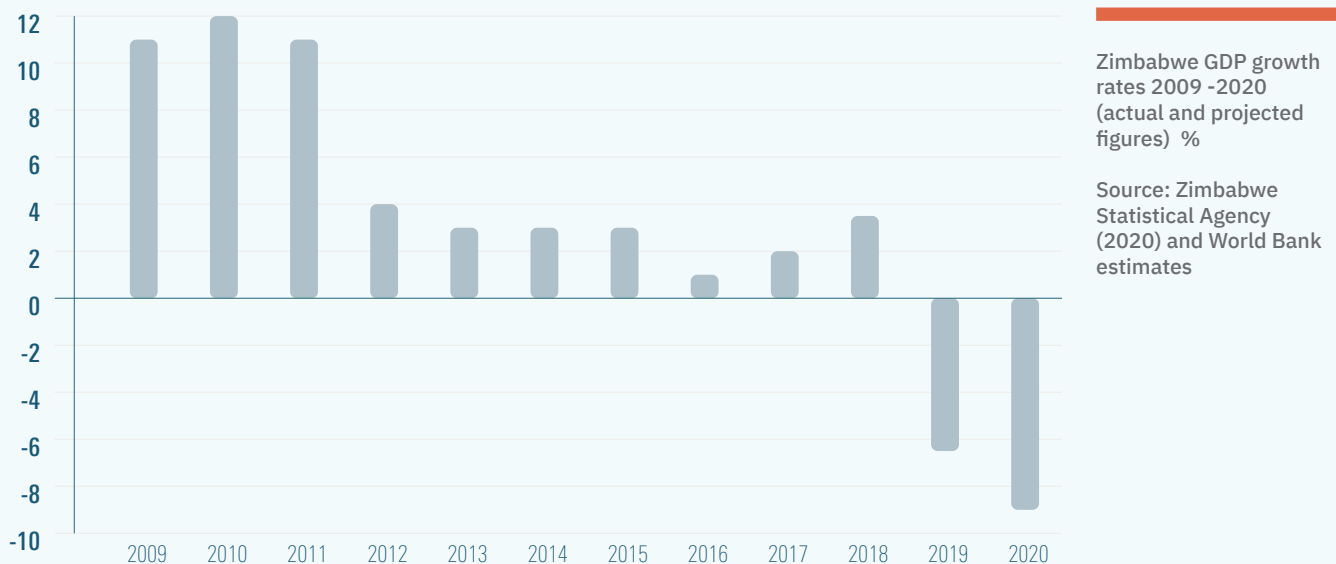
The novel coronavirus was first reported as a cluster of cases of pneumonia of unknown cause in Wuhan City, Hubei Province of China on 31 December 2019. Since then, the virus, and COVID -19, the disease that it causes, has spread fast across the globe, including Zimbabwe⁰¹. Due to the fast spread of the disease, both in terms of casualties and geographic coverage, the World Health Organization (WHO), declared the coronavirus outbreak a public health emergency of international concern on January 30, 2020, and thereafter, a pandemic on March 11, 2020. Being a novel disease, there are certain epidemiological features that remain unclear and as such it is not possible to determine, with certainty, how the pandemic will evolve. This Policy Brief presents a preliminary assessment of the socio-economic impacts of the COVID -19 on Zimbabwe on the basis of some known and observable facts as opposed to a detailed and robust analysis. It identifies the possible impact transmission channels based on the structure of Zimbabwean economy, its geography and socio-political factors; the possible effects on Zimbabwean socio-economic development; and proffers some policy recommendations.

ECONOMIC DECLINE, GOVERNANCE CHALLENGES AND A FRAGILE HEALTH SYSTEM

Zimbabwe has an ambitious governance reform agenda aimed at devolving key functions to the sub-national – provincial and district – levels, as well as a number of legal reforms. The devolution programme however, faces a number of critical challenges and is yet to take root in

many sectors such as health. Over the past decade, economic growth has been on a general declining trend, culminating in contraction by an estimated 6.5 percent in 2019. The Covid-19 pandemic hit Zimbabwe at a time when the country had targeted an economic rebound by inter alia, getting

⁰¹ COVID- 19 is a respiratory illness, just like flu, whose symptoms include dry cough, fever, and in more severe cases, difficulty in breathing.



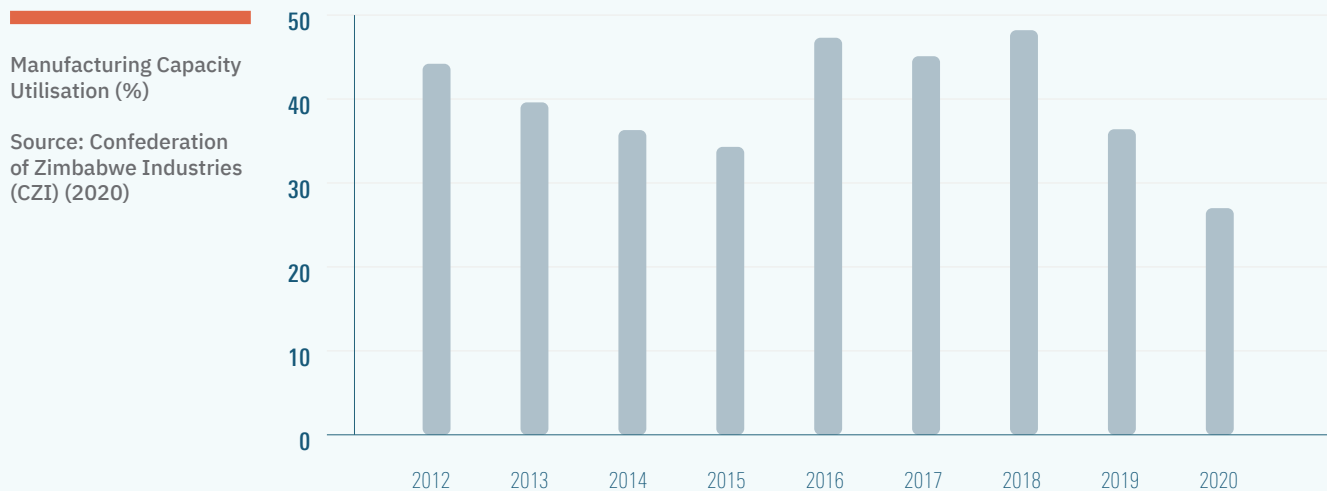
the economic fundamentals right through the implementation of the short-term Transitional Stabilization Programme (TSP)⁰². While the economy was initially projected to rebound and grow by an estimated 2.8 percent in 2020, mainly on account of performance of the mineral sector, this growth target is unlikely to be achieved in the wake of the COVID- 19 pandemic and its effects on the global economy, generally and, in particular, the Zimbabwean economy⁰³. Indeed, the International Monetary Fund (IMF) has reported that the Covid-19 would make it even harder for the government to balance the policies needed to restore macroeconomic stability with those needed to address urgent social needs⁰⁴.

The Zimbabwean economy is characterised by heavy reliance on the primary sector (agriculture and minerals) for forex earnings and employment, with limited manufacturing and services. The productive capacity has been on the decline due to non-competitiveness of the country's industry which stems from the high cost structure arising primarily from high cost of labour, rentals and utilities and the continued use of hard currency (USD) in most transactions. Consequently, a culture of widespread trade, mainly in imported goods and services, is fast taking root.

02 Available at http://www.veritaszim.net/sites/veritas_d1/files/Abridged_Transitional_%20programme%202018-10-05.pdf

03 The World Bank estimates that the economy will contract by between 5 to 10 percent in 2020

04 See <https://www.imf.org/en/News/Articles/2020/02/26/pr2072-zimbabwe-imf-executive-board-concludes-2020-article-iv-consultation>



Moreover, in the recent past the economy has been characterised by macroeconomic volatility as shown in below:

The official unemployment rate stands at 11 percent although the vast majority of the people considered to be employed are engaged in low paying temporary insecure work and petty trade in the informal sector. Moreover, Zimbabwe's health sector remains fragile and under-resourced, both in terms of financial and human resources. According to the Ministry of Health and Child Care, there are 1.6 physicians and 7.2 nurses for every 10,000 people⁰⁵, against WHO recommendations of 4.45

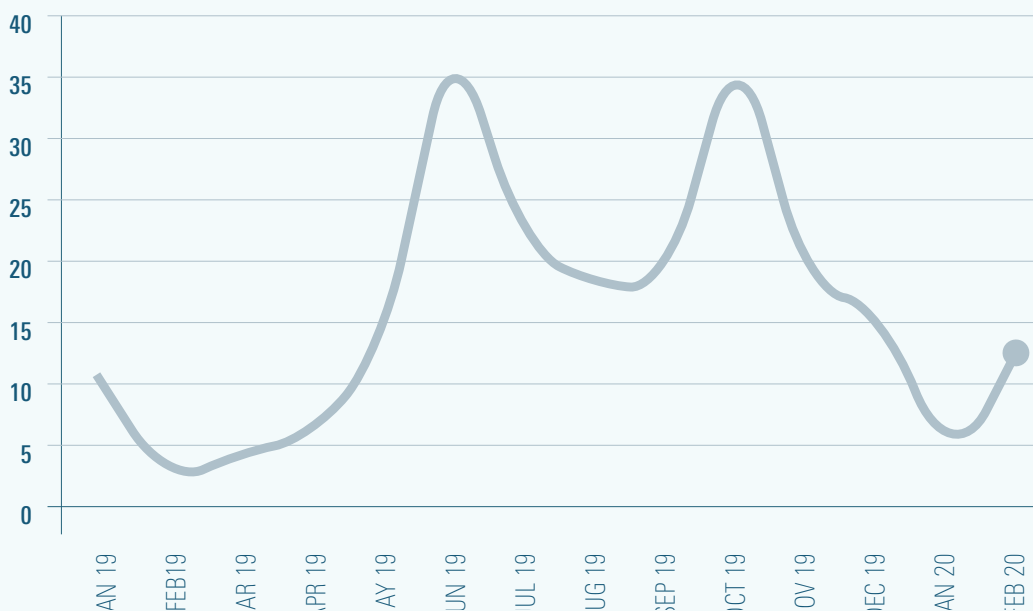
doctors, nurses and midwives (health workers) per 1000 population needed to meet the SDGs⁰⁶. In addition, regular strikes in the health sector, in particular by doctors and nurses, due to low wages and poor working conditions have further compromised the quality of health care⁰⁷. The Zimbabwe Service Availability and Readiness Assessment Report of 2015⁰⁸ revealed inadequacies in all the six WHO health system building blocks, namely: human resources, medical products, vaccines and technology including infrastructure, health financing, health information, service delivery, leadership and governance that are prerequisites for a functional health delivery system.

⁰⁵ Zimbabwe Ministry of Health and Child Welfare, *Human Resources for Health information sheet*, 2010.

⁰⁶ See <https://apps.who.int/iris/bitstream/handle/10665/250330/9789241511407-2.sequence=1>

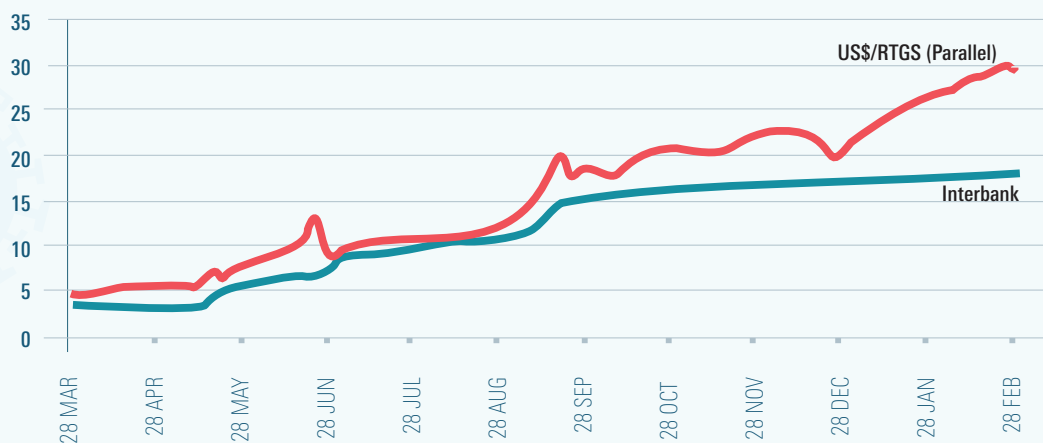
⁰⁷ In 2019 alone, Doctors' strike lasted for more than 4 months and only ended when a private sector company chipped in with a 6-month worth of salaries package.

⁰⁸ <http://ncuwash.org/newfour/wp-content/uploads/2017/08/Zimbabwe-Service-Availability-and-Readiness-Assessment-Report.pdf>



Inflation (%) Recent trends

Source: Zimbabwe Statistical Agency (2020)



Interbank Market & Parallel Market Rates (ZWL\$ / USD\$)

Mar 19 - Feb 20

Source: Reserve Bank of Zimbabwe (2020) and UNICEF Zimbabwe (2020)

GOVERNMENT RESPONSE TO THE PANDEMIC

Since the onset of the pandemic, the government has instituted a number of policy, institutional and operational measures to combat

the pandemic and ameliorate its effects, especially on the poor and vulnerable members of society⁰⁹. The government's response is founded

⁰⁹ The policies and operational measures are deposited Ministry of Health and Child Care (2020); Zimbabwe Preparedness and Response Plan – COVID -2019

on the following principles: limiting human-to-human transmission, including to health personnel; early identification, isolation and care for patients; risk communication and community engagement; narrowing knowledge gaps in disease transmission, prevention and treatment; and minimizing social and economic impact.

At the apex of the national response architecture is an inter-ministerial task force, currently chaired by one of the Vice Presidents, that is tasked with overseeing implementation of all necessary measures to limit transmission. Below the inter-ministerial task force there are nine working groups with membership from government, development partners, private sector and academia with the responsibility for conducting risk and capacity assessments; preparation of standard operating procedures (SOPs), guidelines and tools; identification of key priorities to scale up implementation of priority activities; preparation of operational budgets and timelines for implementation of identified priorities; and determination of priority resource requirements and resource mapping.

To date, some of the specific measures so far taken by government include, but are not limited to, a stimulus package of ZWL 500 million (approx. USD 20,000,000) to help fight the pandemic and specifically, ZWL 50 million (USD 2,000,000) for medical aid, mostly for civil servants on the

frontline of the response. Moreover, the government has effected expenditure restructuring away from capital projects to health-related expenditures; ring-fencing of the 2 percent money transfer tax for social protection and other pandemic related expenditures; availed USD 2 million for urgent and immediate importation for health-related supplies; approved immediate hiring of over 4000 health personnel; availed ZWL 200 million (USD 8 million) per month for a period of three months as cash transfers to an estimated one million vulnerable households; ordered the expeditious processing of value-added and corporate tax refunds and extended the period within which tax is payable; suspended customs duty chargeable on COVID-19 medical supplies and reviewed procurement rules to expedite purchase of COVID-19 supplies; and intends to support local industries with capacity to produce basic food stuffs and pharmaceuticals. And in an effort to mobilise additional resources, especially from the private sector, the government has established a National Disaster Fund to which individual and corporate entities may make contributions. The fund has received an overwhelming response from the private sector through, for instance, the local business fighting COVID-19 consortium. Additionally, on 21 March 2020 Zimbabwe began a national lockdown in a bid to combat the spread of the coronavirus - this meant the shutting down of most governmental institutions except in the health sector and the uniformed

forces who are instrumental in enforcing the lock down.

POSSIBLE SOCIO- ECONOMIC IMPACT OF COVID -19

The pandemic is, for all practical purposes, still evolving, a fact which renders an assessment of its possible impact problematic. However, on the basis of recent developments and observable trends, as well as government and private sector responses, there are certain discernable impacts that merit highlighting at this early stage. In an attempt to understand the potential impact of the pandemic on Zimbabwe, it is instructive to note that although it is primarily a health crisis, it nonetheless has far-reaching public governance, socio-political and economic ramifications. And to understand these ramifications, it is useful to determine the channels through which the effects are likely to be transmitted.

Growth is likely to be depressed further: A stable macro-economic environment is a sine qua non for economic growth, investments, job creation and poverty reduction¹⁰. A recent study by McKinsey and Company has reported that, left unchecked and especially in the absence of a fiscal stimulus, the pandemic will lead to a 3 -8 percentage point decline in

GDP growth in the continent¹¹. For Zimbabwe, whose economy contracted by an estimated 6.5 percent in 2019, continued contraction in the magnitude highlighted above, or more given the fragility of the economy, would be disastrous, affecting, disproportionately, the poor and vulnerable, small and informal businesses, as well as small scale agricultural producers. Delayed imports of goods (see below) could increase shortages of basic consumer and intermediate goods and thus fuel further inflationary pressures in the country – imported inflation. These, together with wide currency fluctuations and possible rising debt in the wake of the increased demand for goods and services for effective response to the pandemic, could dampen growth further and discourage the much- needed investments thus leading to an increase in the incidence of poverty.

¹⁰ See for instance, Bleamey, M.F (1996): *Macroeconomic stability, investment and growth in developing countries*. Available at <https://www.sciencedirect.com/science/article/abs/pii/0304387895000496>

¹¹ See Kartik Jayaram, Acha Leke, Amandla Ooko-Ombaka, and Ying Sunny Sun (2020) *Tackling COVID-19 in Africa: An unfolding health and economic crisis that demands bold action*

Effects of lower oil prices are likely to be offset by declining global demand for exports: Zimbabwe relies heavily on fuel imports to meet her total energy demand¹². Crude oil Brent prices have declined sharply from 69.6 USD per barrel on January 5, 2020 to the current (April 03, 2020) price of 27.5 USD per barrel, a 60 percent decline. This decline however, is unlikely to translate into benefits for Zimbabwe as it is likely to be offset by, paradoxically, rising local fuel prices as well as declining global demand for Zimbabwean exports, especially tobacco and minerals. The Chamber of Mines of Zimbabwe has estimated that mineral production could plunge by 60 percent in the first quarter of 2020 alone as companies reduce output due to disruptions in the supply chain and logistics leading to a loss of USD 400 million in revenues. Depressed activities in the mining sector will also adversely affect forex earnings since minerals account for at least one third of the country's forex earnings.

Reduced merchandise trade will negatively affect forex earnings, revenue and growth: Exports of goods, mainly primary commodities, which accounted for an estimated 22 percent of GDP in 2018 are expected to be adversely affected by direct and indirect linkages with the global economy, mainly China and European Union (EU) countries. China remains an important destination

for Zimbabwean exports, especially tobacco which is likely to be adversely affected by economic slowdown in that country¹³. China is also an important source of intermediate goods for South Africa, Zimbabwe's main trading partner and thus any slowdown in economic activity in China will also affect the country indirectly via reduced trade with South Africa.

Decline in tourism will lead to more job losses and dampen growth: Tourism is a key sector for Zimbabwe's economy, generating an estimated US\$1.4 billion (3.3 percent of GDP) in revenue in 2018. Currently, most of the source countries have issued travel restrictions or are in total lockdown resulting in an increased number of booking cancellations. Tour operators and hotels in the resort city of Victoria Falls for instance had reported 80 percent cancellations by early March 2020 and more recently, most hotels have shut down altogether leading to loss of jobs and income.

Remittances are likely to decline, affecting access to basic social services and increasing vulnerability: Zimbabwe receives an estimated US\$1 billion in remittances from its diaspora community annually. Remittances are expected to decline as countries hosting significant numbers of Zimbabwe's diaspora community such as South Africa are affected due to slowdown in economic

¹² In 2017, the country spent some \$74.4 million on importation of refined petroleum products, making it the fifth most important import, by value.

¹³ In 2017, China was the top destination market for Zimbabwean export, followed by South Africa, United Kingdom, India and Zambia.

activity and the current lockdown resulting in job losses and reduced incomes. Given the important role of remittances in sustaining livelihoods in Zimbabwe, a decline in remittances will further compromise access to basic social services and increase vulnerability for many households.

Household food insecurity is likely to worsen as a result of adverse climatic factors and breakdown in supply chains:

The agricultural sector remains the backbone of the Zimbabwean economy in terms of forex earnings and food security at the household level. Due to a combination of adverse climate conditions, land tenure system and poor agronomic practices, agricultural production and productivity have been on the decline in the recent past. As a consequence, a large number of Zimbabweans lack access to adequate food and have to rely on humanitarian assistance¹⁴. An estimated 59 percent of the total population are food insecure and in need of immediate food assistance, which in the short-run can only be met through imports and, to a lesser extent, increased local production. The breakdown and/or slowdown of global supply chains and lack of foreign currency as well as physical barriers to movement of goods across borders however, will negatively affect food imports to meet the domestic shortfall. Perhaps needless to say, due the limited availability of food,

malnutrition is likely to be on the rise among the food insecure, exacerbating the risk of disease among adults and stunting and wasting in children.

Zimbabwe's fragile healthcare system will be stretched further in the short run but could emerge stronger in the medium to long term:

Zimbabwe's health system is bedeviled by a plethora of challenges, including a lack of resources, mostly financial, as well as a host of institutional and governance issues all of which render service delivery problematic. The health system is beset by periodic strikes by health workers over remuneration, low morale among the workers and poor working conditions characterized by lack of essential equipment, inadequate medicines and medical supplies including personal protective equipment (PPE). While the government had put in place a number of preventative measures aimed at flattening the curve, there can be no gainsaying the fact that the health system will be overstretched and will not cope resulting in high mortality rates should the pandemic escalate beyond the current level¹⁵. However, the pandemic has also led to unprecedented collaborative effort between the government, the private sector, development partners and other stakeholders to mobilise resources for the health sector, especially those health facilities designated as isolation and

¹⁴ An estimated 4.34 million people in Integrated Food Security Phase Classification (IPC) phase 3 and 4 in rural areas will be requiring food assistance between February and June 2020

¹⁵ The pandemic has exposed the latent fragilities of even some of the most developed health care systems in the world.

treatment centres. If this resource mobilization and targeting for the health sector was to be expanded to other health facilities including those in the provinces and districts, the health system would be strengthened in the context of devolution easing pressure on Harare-based facilities and offering service to the people most in need close to where they live.

Human capital formation will be adversely affected with rural areas and low-income households most affected:

On March 24, 2020, in an effort to curb the spread of the disease, the government announced indefinite closure of all schools and other institutions of learning, which coincided, in part with the planned school holidays. While learners from some urban schools and middle-class households have continued with e-learning, those in low income rural and high-density urban and peri-urban areas have effectively stopped learning because of lack of equipment and support structures. In the event of school closure beyond the current holiday period, there is likelihood of skewed access to education, in the final analysis exacerbating inequalities in education outcomes, poverty reduction and human development.

Women and girls likely to be more adversely affected:

It is premature to say whether more women than men are likely to die in Zimbabwe as

a result of the pandemic, although, on the global scale, some researchers have posited that more men than women are dying, potentially due to sex-based immunological or gendered differences, such as patterns and prevalence of smoking¹⁶. Anecdotal evidence from developing countries like Zimbabwe however, suggests that women are likely to suffer disproportionate effects of such pandemics as women mostly bear burden of care work as a result of morbidity; and household chores, especially when everyone is at home during school closures and lock downs or when some family members are undergoing quarantine or isolation. Moreover, women, especially nurses and community social workers¹⁷ are often at the frontline of national response against pandemics such as this COVID 19 and in the absence of PPE kits are more likely to be exposed than men. Women and girls are also more likely to suffer from sexual and gender-based violence during crises like the current pandemic, especially during lockdown and restricted movement. Additionally, women's and especially adolescent girls' reproductive rights are likely to remain unmet as the government re-prioritizes expenditures, including health sector expenditures, towards the fight against the pandemic. Lastly, the current lockdown and travel restrictions as well as reduced merchandise trade are also likely

¹⁶ See, for example, Wenham, Smith and Morgan, 2020 – available at <https://www.cgdev.org/blog/how-will-covid-19-affect-women-and-girls-low-and-middle-income-countries>.

¹⁷ According to the Zimbabwe Labour Force Survey (2014), an estimated 64.2% of the health sector labour force are women.

to disproportionately affect women since the vast majority of women are engaged in micro enterprise activities which rely on unfettered movement of merchandise goods across and within national borders.

Possible slowdown of the devolution agenda:

The government of Zimbabwe is currently in the process of devolving the powers of central government, that is, the Executive and the Treasury functions to the local governments of the 10 provinces. The response to Covid-19 which requires greater coordination and policy and programmatic direction from the centre could slow this noble policy stance of devolving power, authority and decision making to the sub-national level.

Human rights abuses likely to increase:

Many countries are currently implementing various degrees of restricted movements with security forces deployed to enforce compliance. There has however,

been reported cases of human rights abuses in many countries across the globe. There is therefore, fear, in some quarters, that the same will occur in Zimbabwe, particularly during the lockdown period as the security forces move to enforce the lockdown orders.

Depolarizing national politics, bi-partisan approach to the response:

On a positive note, both President and the opposition leader have urged Zimbabweans to act in unity and adopt a nationwide campaign against the pandemic in order to flatten the curve in the interest of the nation. It is such convergence of minds at the highest political level that demonstrates that Zimbabweans can de-polarise their otherwise seemingly intractable divergent political views when faced with a common enemy. The potential for unity of thought and purpose could generate a turnaround in the seemingly intractable polarization in the country.

CONCLUSIONS AND POLICY RECOMMENDATIONS

Zimbabwe's health system remains fragile and ill-prepared to cope with the pandemic. This situation is exacerbated by the country's weak economic position due to a huge external debt burden and heavy reliance on commodity, mostly tobacco and mineral exports, tourism and remittances for foreign exchange and revenue, all of which

have been adversely affected by the pandemic. The government of Zimbabwe, therefore, has only limited fiscal legroom available for effective response to the pandemic. Across the globe many countries have begun implementing a number of stimulus packages, with the USA announcing the greatest stimulus package to the tune of USD 2.2 trillion comprising of

direct payments to individuals and families, loans to small businesses, unemployment insurance benefits and loans to distressed companies. While such a package would be desirable in the current circumstances, Zimbabwe has very limited fiscal space for policy manoeuvre and as such innovative, efficient and pragmatic response measures will be needed in the fight against the pandemic.

Against this backdrop, we propose the following policy recommendations:

- Halt the spread and/or flatten the curve : As a priority measure, Zimbabwe, working in concert with the international community, and especially her regional neighbours, should halt the spread and, in the worst case scenario, flatten the curve as much as possible by instituting community isolation measures that keep the daily number of disease cases at a minimum or manageable level for medical providers to avoid a situation where its fragile health system becomes overstretched and unable to cope with the pandemic, leading to high morbidity and mortality.
- Carefully manage the pandemic within the context of a thriving informal economy: In the absence of a robust social protection programme and especially, a Lifeline Fund or its variant to support small scale traders and businesses in the informal sector, it is prudent to devise ways of keeping such businesses and even more established formal ones operational even during the lockdown as a complete lockdown could lead not just to loss of income and jobs but also social unrest. The critical public investments in this regard should be aimed at providing basic social services such as running water and sanitation facilities in markets and ensuring strict adherence to the set hygiene practices including use of face masks, regular handwashing/ sanitization and social distancing.
- Strengthen the health system within a devolved system of governance: The pandemic has brought to the fore the need to strengthen the health system in the country by inter alia, addressing the ever-present problem of lack of finances, shortage of trained and motivated health workers; improving service delivery and access to essential medicine and supplies; strengthening health information system; and promoting good governance in the sector. More importantly, there is a need to approach the pandemic response from a devolution lens as outlined in the constitution and other legal instruments. In this way, the response will not only serve to address the pandemic but also strengthen the system of governance as well as ease the demand on the fiscus as it will rely on local leadership and institutional structures.

- Mobilise additional resources: In order to expand the available fiscal space, the government should aim for greater efficiency in the application of scarce resources by curbing wastages, duplication and leakages given the limited scope for additional borrowing and huge inflows of external aid. Relatedly, the government should address, as a matter of urgency, illicit financial flows from the country, especially from the extractive sector. While the above measures would lead to enhanced domestic resource mobilization, it is also evident that the response requires additional international support. Hence, there is a need for a well-coordinated aid architecture to be established as an integral part of the response. Such a robust aid architecture could also be leveraged to support the recovery agenda post the pandemic.
- Cushioning the poor and vulnerable: There is need to cushion a large segment of the population who are poor and vulnerable- small scale farmers, petty traders in the informal sector, people living with HIV and AIDS, people living with disability etc from the adverse effects of the pandemic through targeted social transfers.
- Make credit more affordable and promote entrepreneurship: There is need for government to put in place measures that would render credit more affordable while at the same time promoting entrepreneurship, especially among the existing small scale traders in the informal sector as means of promoting their businesses and as step towards formalising the informal sector.
- Promote good governance and respect for human rights: In responding to the pandemic there is need to promote peoples' participation, transparency, rule of law, consensus building, equity, inclusiveness, effectiveness, efficiency and accountability for results – the basic tenets of good governance. In addition to supporting the security sector to maintain law and order while respecting human rights, there is a need to further empower the various independent commissions to support monitoring and reporting of possible human rights violations in a proactive manner.
- Turning adversity into opportunity: The pandemic presents an opportunity for instituting a development model characterised by investments in domestic productive capacity especially for basic goods and medical essentials such as face masks, sanitizers and PPEs and promoting regional trade and deepening collaboration between Zimbabwe and her neighbours. It also presents an opportunity for the consideration of greater investments in basic services water and sanitation and critical sectors of the economy such as agriculture, manufacturing and

services sectors, as well as better management of the extractives sector for forex earning, revenue generation, sustainable job creation and poverty reduction. Moreover, there is a need to adopt a long-term and regional, that is, devolution, approach in strengthening the health system to combat the pandemic, currently, and offer quality and accessible health care as well as other basic services to the people, now and in the future.