

HON. MINISTER'S SPEAKING NOTES AT THE 26TH INTERGOVERNMENTAL COMMITTEE OF SENIOR OFFICIALS AND EXPERTS (ICSOE) OF SOUTHERN AFRICA MEETING: 28TH - 29TH OCTOBER 2020.

Day: Wednesday 28 October 2020

Time: 9-10:15 hrs

Topic: Impact of COVID-19 on national socio-economic development patterns and implementing strategies for building back better: Experiences from Zimbabwe.

Salutations

Hon. Prime Minister, Kingdom of Lesotho

Chair of 25th ICSOE Bureau, Mr. Mluleki Dlamini (Eswatini)

SADC Executive Secretary, Dr. Stergomena Lawrence-Tax

COMESA Secretary General, Ms Chileshe Mpundu Kapwepwe

Your Excellences, Ambassadors and High Commissioners;

Representatives of Inter-Governmental Organisations,

Representatives of United Nations Agencies in Zimbabwe

Delegates from SADC Member States;

Distinguished Guests and Representatives of the Media;

Ladies and Gentlemen

IMPACT OF COVID-19 ON NATIONAL SOCIO-ECONOMIC DEVELOPMENT PATTERNS

1. Economies around the world have been devastated by the COVID-19 pandemic. Zimbabwe has not been spared from the economic and health impact of COVID-19 which continues to take its toll and to place a downward pressure on global economic growth.
2. This year, it is expected that economic growth in Zimbabwe will be negative. However, as a nation, we continue to employ a host of other policy interventions engaged under the Transitional Stabilisation Programme (TSP), to ensure our nation will bounce back stronger.
3. Domestically, a total of 8,276 cases of the virus were confirmed with unfortunate loss of 237 lives, as at 26 October 2020. In line with global pandemic mitigation measures, His Excellence the President, E. D Mnangagwa made initially a proclamation of a lock down effective 30 March 2020 and was extended for some time.
4. The lockdown was prescribed as a way to arrest the further spread of the pandemic and that way saving lives and livelihoods. However, these interventions inevitably had a negative impact on economic activity, with the large informal sector affected most severely.
5. The global pandemic-induced downturn imposed a toll on the Zimbabwean economy through a number of channels:
 - Lower commodity demand, especially for chrome and nickel;
 - Reduced tourist arrivals due to travel restrictions;

- Disruption of global supply chains for both raw materials and final products and services; and
 - Slowing down of global financial flows including credit availability, remittances and portfolio investments.
6. While the economy is facing other challenges including drought, the pandemic brought a huge toll on the economy, which is now expected to contract by -4.5% in 2020. Specifically, the pandemic affected the tourism and distribution industry (-7.5%), education (-7.2%), financial sector (-7.1), manufacturing (-10.8), construction (-11.4%). However, there are some sectors which somewhat benefitted through increased demand, such as ICT, foodstuffs manufacturing, and healthcare.
 7. Health services provision was severely compromised, however. The pandemic forced Government, private sector and development partners to come together and increase investment in the sector through rehabilitation of buildings and equipment, acquisition of new machinery and the hiring of additional health personnel.
 8. To mitigate the economic difficulties brought by the pandemic, Government has put in place a large stimulus package, amounting to 9% of GDP, to rescue the affected sectors of the economy and to shield vulnerable parts of the population against the worst of hardship.

Mitigatory Strategies for Building Back Better

9. The immediate response of Government was to come up with mitigatory interventions covering both preventive and curative measures and to some extent supportive interventions for the productive sectors. Some of the Government efforts to fight the pandemic were:
- Establishment of the Country's Coordination Mechanisms
 - Establishment of the National COVID-19 Taskforce
 - Establishment of the COVID-19 National Disaster Fund
 - Development of the Government COVID-19 National Preparedness Response Plan.

Redirecting Capital Expenditure

10. The Government instituted cuts on line Ministry allocations/budgets and redirected capital expenditure allocations under the 2020 National Budget towards health-related expenditures, including water supply and sanitation programmes to fight the pandemic.
11. Again, resources from the 2% Intermediated Money Transfer Tax (IMTT) on electronic transactions were also ring fenced and channeled towards COVID-19 related mitigatory expenditures.
12. Furthermore, resources were directed to alleviate the plight of vulnerable groups in our society who were most exposed under this COVID-19 crisis. Accordingly, resources to cushion one million

vulnerable individuals were put in place and payments continue through the Social Welfare Department.

Development Partner Support

13. On 2 April 2020, His Excellency, the President, Cde E. D. Mnangagwa in conjunction with the United Nations, launched the Domestic and International Humanitarian Appeal for assistance with a budget of US\$1.8 billion inclusive of US\$220 million (later revised to US\$300 million) for COVID-19 support.
14. In response to the appeal, development partners revised their Humanitarian Response Plan to include requirements towards the COVID-19 pandemic. In addition, most development partners re-allocated and pledged/committed fresh resources from ongoing projects towards strengthening Zimbabwe's public health response.
15. Against this background, the Government is grateful to Development Partners' support towards mitigating the impact of COVID-19 in our country.

Private Sector Support

16. The private sector complemented Government efforts to fight the pandemic substantially through various contributions. These include:

- Provision of and equipping an Isolation and Treatment Centre at Montagu;
- Equipping 4 public hospitals across the country with 50 bed capacity to respond to COVID-19, including ICU capacity;
- Contributions to the Little Company of Mary who run the St Anne's Hospital in Harare;
- Provision of mobile water facilities at 6 hospitals to enable emergency water supplies;
- Refurbishment works at public hospitals; among others.

Stimulus Package

17. In May, His Excellency, the President, Cde E. D. Mnangagwa, announced a bold Economic Recovery and Stimulus Package to the tune of 9% of GDP. This package was designed to help key sectors of the economy weather the disruptions that invariably followed from the limitations to economic life, as well as to provide relief to individuals and families whose livelihoods were threatened by the pandemic and its impact on the economy.

18. With this aim in mind, the Package:

- provides critical liquidity support to the productive sectors of the economy, including but not limited to Manufacturing, Agriculture, Mining and Tourism;
- protects employment by implementing measures and support-schemes to prevent lay-offs;

- and provides direct income support to the vulnerable households and individuals.
19. Looking forward, we are further aiming to take advantage of the COVID-19 response in order to permanently strengthen and expand existing social safety nets.
 20. To deliver and administer this unique effort, we leverage on existing and well-functioning entities including banks, microfinance institutions, mobile network operators and identified civic society structures. We therefore manage to identify and reach the beneficiaries quickly and in a systematic way.
 21. Further, we are fast-tracking and upscaling investments in social and economic infrastructure in order to provide further stimulus and to direct idle resources to welfare-enhancing projects, including the recovery of assets that were recently destroyed by floods.

Agriculture Sector Support

22. Agriculture is a key sector in the economy, both in terms of employment and because of its importance in ensuring food and nutrition security, and is hence one of the major beneficiaries of the Stimulus Package.
23. In view of disruptions to international trade, it is key to ensure that the necessity for grain imports be minimised where possible. To this

end, some of the resources were spent a comprehensive Winter Wheat Programme. Resources have also been set aside for the 2020/21 Summer Cropping Programme, to be disbursed in the event the development of the pandemic dictates further support to the sector.

24. To direct support directly to vulnerable small scale and communal farmers, the Vulnerable Farmers Input Support Programme, which provides free agricultural inputs to its beneficiaries, has been allocated an additional ZWL\$2.9 billion.

Industry support

25. The industrial sector, which is currently contributing up to 15% to GDP and is key to our country's vision of becoming an upper middle-income economy by 2030, was particularly threatened by the disruptions and the drop in demand inflicted by the lockdown.
26. In order to prevent prolonged disruptions or even permanent closures of operations and loss of productive capacity, our Government issued guarantees of up to ZWL\$2.5 billion for bank loans accessed by the industry for working capital purposes.
27. Furthermore, we supported the industrial sector with substantial equity injections through targeted investments in the food industry, as well as into the leather and textiles value chain.

Mining Sector Support

28. The mining sector, which contributes around 10% to GDP and generates some 70% of export revenues, also received substantial emergency support in order to sustain this critical source of earnings to the economy, as well as to avoid any permanent closures and loss of productive capacity.
29. This includes a credit facility for the Gold sector to the tune of ZWL\$1 billion, directed both to large-scale mining operations, as well as to small-scale artisanal miners, which currently account for about 60% of Gold output.
30. Besides this monetary support, we took additional measures to ensure the continued functioning of the mining sector; in particular, Government ring-fenced fuel and electricity supply.

SME Support Fund

31. Furthermore, ZWL\$500 million has been earmarked to assist Small and Medium Enterprises to quickly resuscitate their businesses and recover from the effects of COVID-19.
32. Given the large numbers of potentially eligible companies, Government provides these resources through additional capitalisation to experienced institutions in the field, namely the Small and Medium Enterprises Development Corporation, the Women's Bank, and the Empower Bank to enable them support small businesses to access working capital.

Arts Sector Support

33. In order to ensure the continuity of cultural life in Zimbabwe, as well as the livelihoods of those involved in it, we allocated an amount of ZWL\$20 million to the Performing Arts Sector. It is also important to highlight that the musical artists have been playing a critical role in spreading COVID-19 related messages, and suffer greatly from inevitably ongoing limitations to social gatherings.

Tourism Sector Support

34. It is obvious that the tourism sector has been among the hardest hit during this pandemic all around the world. Zimbabwe is no exception to this, and in an effort to contain the spread of the disease our borders were closed to international tourists for the longest part of the year, while restrictions to internal mobility meant that domestic tourism also largely came to a standstill.
35. The sector was therefore supported with a total of ZWL\$500 million in Government Guarantees, such that tourism sector players can access working capital loans from banks.
36. In order to facilitate and accelerate recovery of the sector now that most travel restrictions have been lifted, a waiver on VAT payable by domestic tourists for accommodation and visitor services has been granted.

Health Sector Support Fund

37. Finally, the threat of the pandemic called for an additional strengthening of our healthcare system. This is in addition to the

substantial resources already allocated to the sector through the 2020 National Budget, amounting to ZWL\$6,5 billion.

38. To improve capacity, an additional 4,700 health personnel have been recruited, and front-line health personnel will earn a Tax-Free Risk allowance. COVID-19 response personnel are also entitled to substantial securities, such as a Professional Support Allowance of ZW\$10,000 should they fall sick in the line of duty and need to recuperate at home, a 24-hour personal accident cover whilst on duty, and a death benefit insurance equivalent to one year's salary.
39. To ensure an effective infrastructure to combat the pandemic, hospitals and other healthcare facilities have been upgraded and equipped to accommodate and care for Covid-19 patients.

Food Grant

40. Government has introduced a Food Grant of ZWL\$2.4 billion to cater for food needs of at least 1,000,000 vulnerable individuals for a period of eight months. This includes 200,000 micro-enterprise owners whose businesses have been disrupted by the lockdown.

Other Relief Measures

41. Besides the measures I have just outlined we implemented a whole range of additional relief measures. To name a few:

- Productive Sector lending interest has been lowered to not more than 20 percent, and loans must be restructured to allow businesses to recover.
- A comprehensive reduction of statutory reserve requirements on banks was implemented in order to release at least ZWL\$3.5 billion of liquidity, increasing the capacity of banks to lend.
- Last week, the Victoria Falls Securities Exchange (VFEX) has been launched, in order to attract critical offshore capital to the economy. This move affirms the status of Victoria Falls as an Offshore Financial Centre and reinforces the Government's mantra that Zimbabwe is Open for Business.

Building Back Better

42. There can be no doubt that the COVID-19 pandemic is a calamity and has imposed a lot of irreparable damage on economies all around the world. But, as John F. Kennedy once noted: "when written in Chinese, the word crisis is composed of two characters –one represents danger, and the other represents opportunity".
43. In this spirit, I trust that, if the right steps are taken, we can grow out of this crisis stronger than we entered it, and I will briefly outline a few areas where I firmly believe that this can be the case.
44. Firstly, let us preserve the enormously improved healthcare systems that have resulted from swift Government action and bold

investments all around Africa. In Zimbabwe alone, we hired 4,700 new healthcare workers, purchased world-class equipment, and upgraded healthcare facilities all around the country.

45. There can be no doubt that these investments in the health and safety of our people are worth preserving, and will not only increase our preparedness in the event of any future pandemic, but also be instrumental in the long-term development of our society.
46. Second, as costly as the disruptions to international trade and supply chains have been for virtually all countries in the world, this also presents an opportunity to reduce our dependence on imported resources, and to boost domestic and regional value chains and hence the capacity to produce goods that have traditionally been imported.
47. The bold support to the Zimbabwean industry I outlined earlier in this speech represents one step in this direction, and we should not hesitate to take further steps to put our productive sectors in a position to compete with international players.
48. Third, and relatedly, the disruptions suffered from the crisis once more underline the critical importance of being able to provide for the basic nutritional needs of our population without having to recur to importations. In Zimbabwe, we allocated large amounts of emergency support to the agricultural sector, and will take further measures – including measures to confirm property rights and encourage long-term investments into agriculture – to promote nutritional self-sufficiency.

49. Lastly, this crisis has forced many countries to swiftly expand social safety nets in order to protect vulnerable parts of the population from the worst outfalls of this pandemic. Again, let us capitalise on this achievement, and ensure that the progress made on this front is employed towards a better and more sustainable system of social support, so as to ensure that no one is left behind on the path to future prosperity.

I Thank You