



**ANALYSIS OF THE MONETARY POLICY STATEMENT FOR THE LAST
HALF OF 2020**

Introduction

The monetary policy essentially entails the use of government plan with regards to money supply and interest rates in a bid to influence the economy. This is a sister policy to the fiscal policy which is sometimes called the national budget, an instrument of resource allocation in order to ensure the achievement of important development imperatives of the country. The monetary policy reform determines the ability of the country to boost public spending on health, education, social welfare, agriculture and infrastructure without undermining fiscal sustainability. Importantly, both the fiscal and monetary policy must be strongly aligned with constitutional imperatives such that the bulk of resources and effort are dedicated towards the realization of constitutionally mandated people's rights especially vulnerable groups such as women and persons with disabilities. It is through the monetary and fiscal policy that the government is able to adhere and fulfil its commitments to strengthen the economic position of women and persons with disabilities in order to ensure realisation of socio-economic justice of these marginalised groups. The Monetary Policy Statement presented by the Reserve Bank Governor on the 21st of August 2020 came amid the devastating impacts of COVID-19 on both the goods/ real sector and the financial sector of the country as a result of a sharp decline in the economic activities in the country. The situation is further exacerbated by prevailing macroeconomic instabilities characterised by continuous depreciation of RTGS value, liquidity challenges, upsurge of parallel market exchange rates relative to official rates, foreign currency crisis characterised by acute shortages of medical drugs and equipment and low industrial capacity utilisation. In light of this, ICOD Zim conducted this monetary policy analysis with emphasis on its implication on women and persons with disabilities.

Rationale

The constitution of Zimbabwe section 83 underscored the need to protect the rights of persons with disabilities by the government in order to empower them to enjoy the rights just like their able-bodied counterparts. As such, the monetary policy has a direct impact on the welfare of persons with disabilities hence the rationale to conduct this analysis. The Sustainable Development Goals (SDGs) agenda encourages national governments to place women at the centre of development agenda in order to achieve gender equality and in turn, strengthen the social and economic position of women. This makes this monetary policy critical in advancing the economic position of women as it entails the access to loans by women, financial inclusion, level of competition in the financial sector and; accessibility and affordability of social services such as health, education and social services. International investors and women's rights defenders also use this policy to gauge women empowerment as well as security of investments made by women. It is therefore imperative to analyse the monetary policy on the basis of advancing women empowerment and proffer recommendations. ICOD Zim is alive to the need to make policy formulations more accountable from a gender perspective, to ensure that policy reforms take gender perspectives into account and that policies on gender equality are matched with adequate policy reforms. A related objective to the aforementioned is to increase women's participation in economic activities. It is important to note that women and men experience poverty in both similar and different ways. The processes through which they become poor are different yet related, and their response to poverty is different. To be just, policies should take these differences into account. This policy brief therefore analyses the

implication of the monetary policy statement presented by the Reserve Bank of Zimbabwe governor to guide the last half of 2020.

Analysis and implication of the Monetary Policy Statement on women and PWDs

The monetary policy statement is against the global outcry for proliferation of digital economies, currencies, and transactions through the use of branchless banking models such as Ecocash and One Money agent banking arguing that it will erode already fragile banking systems. Although this argument is valid in an attempt to regulate black market players, it forgoes its possible implication on other economic players who rely on these digital platforms hence render the monetary policy ineffective in light of the need to boost economic activity. The banning of ecocash and netone agents coupled with regular revision of transaction limits erodes the efficacy of the two basic tools government has in their arsenals for combating inflation, that is controlling the monetary supply and setting interest rates. This measure has direct impact on the survival of small to mediums enterprises which is dominated by women accounting about 60% of the SMEs.¹ Ecocash and One Money has become the most convenient methods of transactions since the eruption of COVID-19 in Zimbabwe and as such, abolishing this mechanism can be an affront to survival of small businesses owned by women. The government did not harmonise the fiscal and monetary policies in order to address the market distortions that came with the monetary policy considering that the 2020 national budget had been pegged at RTGS values and now the USD has become the most dominant currency in the financial market of Zimbabwe following the relaxation of the Statutory Instrument(SI) 142 of 2019. Much hype was on how the monetary policy was going to address the inflation in the country. The use of multiple tier pricing with USD and RTGS has been a major driver of income inequality and social discord in Zimbabwe. Marginalised communities especially women and persons with disabilities have been the major victims of the financial market distortions. However, there is no explicit reform or measure to deal with the pricing mechanism used by businesses in the monetary policy statement. With the high demand for foreign currency in securing fuel, electricity, medical necessities, cooking oil, Personal Protective Equipment for COVID-19 response and water treatment chemicals, the exchange rate is likely to be inflationary. While the policy statement gives an assurance that mechanisms are in place to safeguard against inflation rate, the actual modalities and tools remain unclear. Worse still, the monetary policy statement is coming way after prices have risen to unprecedented levels. The USD has remained the base currency for trading purposes in Zimbabwe given the fact that businesses prefer trading in a stable currency. This perpetuates economic inequality and undermines social and economic rights of women and persons with disabilities. ICODZIM strongly believes that women should benefit most along the value chain. Against this background, social and economic rights of women and persons with disabilities are under threat. The much-celebrated auction exchange rate system to the economic stabilisation is likely going to further expose and impoverish vulnerable citizens already wallowing in poverty from wage erosion caused by exchange rate fluctuations.

Recommendations

- The monetary authorities should address the root cause of the economic imbalances bedeviling the country and not the symptoms. This requires a holistic approach that addresses deficiencies in both the fiscal and monetary spectrums.
- There is need for a simultaneous adjustment of the monetary policy to the fiscal policy framework to ensure direct synchronisation and harmonisation of the two policies for socio-economic transformation or the country.

¹ <https://www.smeaz.org.zw/>

- There is need for monetary policy consistency to restore confidence in the country's financial system.
- The government of Zimbabwe should create an enabling environment for women to meaningfully contribute to monetary policy reforms through consultations.
- Establish mechanisms for women to exchange views on monetary policy thrusts and remain active in economic activities.
- There is need to prioritise marginalised groups in the monetary policy reforms to strengthen their economic position through financial inclusion.

Conclusion

It is critical for monetary authorities to spearheading financial inclusion by ensuring that women, youth and persons with disabilities are placed at the centre of monetary policy reforms. This policy analysis has exhibited limited opportunities extended to women and persons with disabilities to strengthen their economic position. This is likely going to limit women in registering economic progress. The currency issues need to be addressed immediately in light of its socio-economic implications on the livelihoods of women and persons with disabilities.

About Institute for Community Development in Zimbabwe

ICODZIM is a woman led and founded organisation for women. The organisation seeks to achieve gender equality by empowering women and strengthen their economic position. Our interventions attempt to address gender norms and equality early in life, before gender stereotypes become deeply ingrained in marginalised women. ICODZIM therefore promotes women's rights by creating platforms for women to amplify their voices and influence policies and decisions which affect them for socio-economic transformation of the lives of women.

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