



Investing in People for Social and Economic Justice

EXPRESSIONS OF INTEREST FOR ZIMCodd STUDY

UNDERSTANDING THE ROLE OF THE FINANCIAL SECTOR IN ZIMBABWE, CENTRAL BANKING AND ITS SOCIAL AND ECONOMIC IMPACTS

The Zimbabwe Coalition on Debt and Development (ZIMCodd) seeks the services of a qualified and experienced researcher with demonstrated prior capacity to carry out a study of the role of the country's financial sector, central banking and its social and economic impacts. The outputs of this study will add to the body of knowledge being generated by ZIMCodd and its partners on economic governance, financial inclusion, and evidence that the Coalition uses for its economic literacy and advocacy programmes.

Background

The manner in which the Zimbabwean economy has been managed in recent years justifies an enquiry into the role of key institutions which influence macroeconomic fundamentals, and impact significantly on the welfare of citizens. One set of institutions which can be analysed in this context fall under the framework of the local financial sector and financial services industry, its regulatory framework and institutions which oversee and influence its operations. In particular and of interest to ZIMCodd is the impact of the developments in the sector on ordinary people especially people living in poverty.

Indeed, Zimbabweans have experienced the pervasive impact of activities of this sector and its policies in an unprecedented manner in recent years (particularly the period when hyperinflation was experienced in the country). The context of this pervasive impact is the economic meltdown experienced in Zimbabwe over the past decade. Briefly, this period was characterised by high levels of unemployment, low capacity utilization in the productive sectors, loss of competitiveness, forced company closures or scaling down of business and rapid deterioration across a range of indices. The country witnessed a cumulative economic decline of 40% between 1999 and 2007. The economy also attained record levels of hyperinflation as high as 624% in 2004, peaking at 231 percent in July 2009. Using the principle of purchasing power parity (PPP) Hanke and Kwok estimated Zimbabwe's inflation at 79, 6 billion as of mid November 2008 making it the second highest in world history. It is plausible to assert that this inflation was among other factors, largely a result of monetary policy regime prevailing at that time.

The decline of the economy described above was accompanied by the collapse in social service delivery, with vulnerable groups such as workers, people living with HIV/AIDS (PLWHAs), women and children being hardest hit. Problems such as poor access to clean water, skills flight in local medical and health institutions, collapsed infrastructure, shortages of equipment for delivering amenities and other related problems, vividly illustrate the crisis in the social sector. These problems were compounded by cash shortages, spiraling prices, erosion of savings and lack of credit for the poor

and marginalised. Access to money and financial services became highly constrained adding to existing structural problems that were driving poverty and inequality in the country.

On 15 September 2008, the main political parties, Zanu PF and the two MDC formations, signed the Global Political Agreement (GPA) mediated by the SADC Heads of State and government, to form an inclusive government (IG) and resolve the challenges facing Zimbabwe, focusing on a number of key areas. This development ushered-in a transitional phase which offers civil society unprecedented opportunities to reflect on past crises, carry out detailed analyses of past economic policies, and recommend reforms to make guarantees for the poor. Indeed, policy and institutional reform is necessary to chart the way forward for Zimbabwe's economic recovery.

One key area of reform agreed to in the GPA is economic stabilization, which has seen among other things attempts to reform Zimbabwe central banking and the financial sector in general. This coupled with international financial crisis which has triggered a rethinking of the role of finance in economies globally, creates an opportune momentum for Zimbabwe to reflect on its banking sector. Indeed the current constitutional reform exercise also one of the key deliverables of the GPA, specified under Article 6, has among of its talking points, questions on the role that citizens expect of monetary authorities, in the proposed new constitution. This is an additional opportunity for citizens to make recommendations in this area.

As a social and economic justice coalition, ZIMCodd is commissioning a study on the role of the financial sector in Zimbabwe, central banking and its social and economic impact on the economy, the poor and marginalized /excluded communities. The underlying perspective guiding this analysis will be an assessment of how financial institutions and related policy frameworks have delivered on people's realization of social and economic rights (also known as the second generation rights) in recent times. In this regard, the research becomes a starting point for ZIMCodd in a long broad discussion on the role of the financial sector in Zimbabwe. Whilst the primary audience of this study will be grassroots, in particular members of ZIMCodd, the outputs will be of particular relevance to wider civil society, the financial sector itself and government particularly at a time when debates of people centered economic governance are taking shape.

Objectives of the study

- Provide a critique of the theoretical framework of economic governance as it relates to the financial sector in Zimbabwe
- Identify institutions in the financial sector and explain their roles
- Unpack the concepts related to banking or the financial sector, with specific emphasis on the role of central banking from a policy and developmental perspective.
- Outline the economic history of the development of the financial sector in Zimbabwe
- Unpack the regulatory framework governing the financial sector
- Record community voices to capture the experiences of communities with the financial sector (2003-2009) especially views around inclusion/exclusion, popular notions of monetary policy and banking, and impact (perceived or real of these on people's social conditions)
- Equip the poor and grassroots communities; *the working classes*, to engage meaningfully in discussions on the role of monetary institutions as *part of* an ongoing engagement on economic and public policy advocacy.

Terms of Reference

1. Briefly define the theoretical perspectives governing the research, and scope of study
 - Social and economic rights
 - The different types of banking relevant to the study, including central banking as a concept
 - Briefly explain the economic role of the financial sector (banking)
2. Carry out a stakeholder analysis of the existing local financial sector and its regional and global networks
3. Chronicle the establishment and growth of the local financial sector
4. Describe the local legal framework governing existing financial sector
5. Describe the international legal framework governing finance, and examine its linkages with the local financial sector
6. Compare and contrast central banking systems regionally, globally
7. Describe central banking in the period corresponding to Zimbabwe's economic crisis (2000-2009)
8. Carry out an impact assessment on the effects of government financial policies on ordinary Zimbabweans by recording testimonies which illustrate community-level perspectives on the financial system during the crisis period. Specific focus of this should be on:
 - the right to work as well as right to fair remuneration,
 - right to health,
 - right to education and,
 - women
9. Recommend the type of financial institutional and regulatory framework that responds to citizens demands for social and economic rights
10. Include a glossary of key terms used in the study

Methodology

- a) Literature review (published and 'grey' literature): Ministry of Finance policy documents, acts of Parliament, constitutional provisions, secondary sources.
- b) Semi-structured and open interviews with policy experts, officials in Ministry of Finance and other line ministries, The Central Bank, Think tanks, civil society organisations, researchers, members of parliament, especially portfolio committees on finance
- c) Efforts must be made to interview people living in poverty and those who are "not banked".
- d) The contracted researcher may choose to appoint an assistant to assist with data and literature collection.

Outputs

A 40 – 55 page research report, written in Microsoft Word, in English and avoiding jargon or complicated phraseology. It is to include executive summary, tables and boxes where indicated in the areas of enquiry. The Researcher will be expected to make a summarized presentation of the study at least once after completion of the study, at a forum organised by ZIMCODD. The researcher

will also be expected to assist the ZIMCodd secretariat to produce popular materials based on the research report.

Timeframe

Suggested time for the research is 33 working days from the signing of the contract. Interested applicants please submit proposals, a resume and budget no later than close of business on 25 June 2010 to zimcodd@zimcodd.co.zw. It will be helpful to include examples of past consultancy work with references. Only short listed candidates will be notified.