



Investing in People for Social and Economic Justice

ZIMCODD Recommendations for 2017 Budget

1. Introduction

The national budget represents the proposed revenues and expenditures a Government expects according to preferences and prioritisation in a given period, usually a year. It is an influential management tool for achieving national development objectives. Zimbabwe's Constitution (Section 141) requires that Parliament facilitate public involvement in the budget processes. Over the years, ZIMCODD has been involved in budgeting processes through mobilisation of its members across the country to participate during Parliamentary Public Consultations on annual budgets, subsequent analysis and advocacy on specific issues of public interest. Involvement has also been with regards to official policy interface with key policy makers to influence policy matters that affect the social and economic development of the country.

This paper contains ZIMCODD's recommendations for the 2017 national budget. The recommendations are informed by the coalition members' aspirations captured during the various programming activities conducted by the organisation on public finance management and other related topics. The ZIMCODD membership also actively participated during the Parliamentary Public Consultations in Mutare, Harare (including members from Norton, Chitungwiza and Goromonzi), Juru, Bulawayo and Gwanda from 12 to 16 September 2016.

2. Contextual Analysis

The budgeting process and the ultimate product will be affected by the social, economic and political context currently prevailing in the country. The review of the running budget was supposed to have been done in July 2016 but was only presented on 8 September 2016 by the Ministry of Finance and Economic Development. The delay caused a lot of anxiety and uncertainty among the business players and other stakeholders. The country has continued to suffer from social and economic challenges characterised by cash shortages, unsustainable

public debt of around US\$9,6 billion¹, social unrest, drought, delays in payment of civil servants salaries, illicit financial and mineral flows leading to loss of potential revenues to support the national budgets, corruption, lack of rule of law, high unemployment estimated to be over 85%, poor public service delivery and highly informalised economy among other challenges. Through the midterm monetary review statement announced on 15 September 2016, the government proposed to introduce bond notes by the end of October 2016 to address the cash shortages. However, there is widespread lack of confidence in the financial systems by the public and the government has not been able to address these uncertainties.

3. International and National Frameworks

The 2016 budget made reference to the Sustainable Development Goals (SDGs) which were adopted by the United Nations Summit in September 2015 and will guide development agenda for the period 2015-2030. Thus the 2017 budget should be able to set the tone for the achievement of the SDGs. It is also critical to note that the country's economic blue print, the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (Zim Asset) is nearing its expiry date, (2018), hence the 2017 budget should be able to support monitoring and evaluation processes of the policy framework so that the outcome will inform future national economic blue prints. On the other hand, the country is also pursuing the Interim Poverty Reduction Strategy Paper (I-PRSP) running from 2016-2018. The I-PRSP is one of the socio-economic blue-prints adopted by the country in line with the recommendations by the International Financial Institutions (IMF and World Bank) as a pre-requisite to the re-engagement process. The blue print recommends socio-economic development processes according to prioritisation of economic pillars, with agriculture rated the first. The 2017 National Budget should therefore, support fully the agriculture sector through honouring the Maputo Declaration of allocating 10% of the national budget to the agriculture sector.

4. Droughts and Effects of Climate Change

The country has been badly hit by drought yet the government had not adequately budgeted for such disasters in the previous budget. About 4 million people in rural areas in Zimbabwe will need food aid in the first quarter of 2017 year due to the El Nino-induced drought

¹ This is merely an official figure from the government according to the 2016 Mid Term Fiscal Policy Review Statement of 8 September 2016. However, independent analysts feel that the figure is conservative yet the debt should be much more than this. ZIMCODD is actually calling for a public debt audit to ascertain the actual figures as there is no consensus to the amount of public debt owed by Zimbabwe.

conditions, according to Zimbabwe Vulnerability Assessment Committee report². High agricultural productivity, particularly for smallholder farmers will go a long way in addressing food security, revitalises, and reduce poverty³. The 2017 budget should therefore prioritise this sector by fulfilling the Maputo Declaration. Efforts should also go towards Climate Change adaptive measures. According to climate change experts, the 2016/17 farming season is likely to be threatened by the La Nina cyclone, a weather condition that will see the country receiving above normal rains which will negatively affect agricultural productivity. The national budget should allocate provisions for yet another drought in the coming year to ensure that the country's food security is stable.

5. Public Resources Management

There is lack of transparency and accountability in the governance of the country's resources leading to loss of potential revenue to support the annual national budgets. An estimated amount of US\$15 billion diamond money, according to President Robert Mugabe, was lost through illicit means from the mining sector over the years⁴. Such huge amounts could have been utilised to fund the country's social sector needs. Corruption remains a major challenge for the country. The poor Public Finance Management by parastatals and public enterprises remains a challenge and a threat to the country's economic development. There seems to be lack of political will to address issues of corporate governance within parastatals. The Auditor General always makes recommendation through the annual audit reports on how to improve public finance management and good governance, but the government has not been forthcoming in implementing or promoting the recommendations.

The government keeps on assuming parastatals debts without putting in place raft measures for improved Public Finance Management. The fiscal policy needs to support and strengthen the country's public resources management systems in order to plug off loopholes leading to loss of potential revenue from the country's mining and other critical sectors of the economy.

6. 2016 Budget Performance at a Glance

The 2016 national budget failed to address much of the country's social and economic aspirations. The budget provided for US\$3.85 billion revenues and US\$4 billion expenditures. The bulk of the budgeted revenue was tax revenue, a reflection that the

² <http://www.zimbabwesituation.com/news/zimsit-m-4m-need-food-aid/>

³ Zimbabwe IPRSP Document, 2016

⁴ President Mugabe, ZBC, 28 February 2016

Zimbabwean tax system is regressive, a scenario where the poor bear the brunt of economic recession by contributing more to tax revenue than the elite community since a greater share of their income is spent for consumptive purposes. For the first three months, about US\$808.4 million in revenues was collected against the targeted US\$920.7 million resulting in about 12% negative variance⁵. The performance of the budget was also characterised by cash shortages that saw the country proposing a number of monetary measures including the introduction of bond notes thereby triggering social unrest at various levels. One of the major challenges affecting the effectiveness of the fiscal policy is the deteriorating public confidence in the country's prevailing fiscal and monetary regime. There is need on the part of the government to boost the public's confidence through addressing the latter's view in the 2017 budget.

7. 2016 Mid Term Fiscal Policy Review

The 2016 Mid Term Fiscal Policy Review was presented on 8 September 2016 by the Minister of Finance and Economic Development, Hon Patrick Chinamasa. It indicated that external debt is now \$7,5 billion, with 80 percent being arrears. Total public debt including domestic debt is now at \$9,6 billion. The Minister did not, however, take this opportunity to update the nation on the Lima process, which has been one of the key steps in the re-engagement exercise with the international financial institutions owed by Zimbabwe. The public would have benefited a great deal if the Minister had elaborated on how the country still expected to be able to settle its arrears with the three main institutions – the International Monetary Fund, the World Bank and the African Development Bank.

The wage bill remains a major concern, having accounted for almost 97% of the revenue collected for the period under review. The Minister proposed to reduce the size of the civil service and suspension of bonuses for 2016 and 2017 among other measures in order to reduce the wage bill. However, within a few days of this announcement, the Minister of Information, Publicity and Broadcasting Services announced that such measures had been not been approved by the government in the first place. This exposed the discord that exists within the Government. This also erodes the public's confidence in the country's governance systems.

⁵ Tax Analysis Report, 2016 First Quarter, ZIMCODD

The health sector among other critical social sectors continue to rely mainly on external support which is not sustainable, predictable and also come with conditions leading to failures in addressing Zimbabwean's practical and priority needs. It is recommended that aid should be there to compliment local efforts supported by domestic resources. In the 2017 budget, the government should aim at surpassing the Abuja Declaration targets of 15% of the national budget being allocated to the health sector.

8. ZIMCODD Recommendations for 2017 Budget

- a) **Public Debt Management** : As the country continues to re-engage the international financial institutions through the Poverty Reduction Strategy Papers (PRSPs) and other initiatives, there is need to avoid incurring any further debts for the country before a thorough public debt audit of the existing commitments is done. The budget should adequately support the oversight role of the parliament and civil society in the implementation of the Interim Poverty Reduction Strategy Paper (I-PRSP).
- b) **Civil Service Wage Bill:** Government to address the issue of “*ghost workers*”, huge executive positions, executive travel and allowances costs to ensure adequate compensation of the bona fide civil servants whose life has been seriously compromised by poor remuneration over the years.
- c) **Informal Sector:** Support the creation of an enabling environment for the informal sector including scrapping of the Statutory Instrument 64 of 2016 and other inhibiting policy frameworks for the sector.
- d) **Special Interest Groups:** The budget to adequately support the already existing and new women and youth initiatives notably the Women's Bank and youth development funds (strengthening the monitoring and evaluation of the same) among other initiatives. There is also need for adequate support of the disability sector. Thus the budget should be youth, gender and disability responsive.
- e) **Domestic Resource Mobilisation:** There is need for speedy policy and legislative reforms in the mining sector to plug off illicit financial and mineral flows that rob the country of potential revenues for social and economic development including service delivery at various levels. The country has lost huge potential revenues through illicit flows which could have been used to adequately support social sectors domestically instead of reliance on foreign aid.

- f) **Public Finance Management System:** The 2017 Budget to adequately support the implementation of the Auditor General’s 2014 and 2015 Reports recommendations. Potential revenues lost through illicit means and other corruption related channels notably the \$15 billion diamond money should be traced.
- g) **Fulfilment of International Commitments:** The national budgets allocations should reach or surpass the internationally agreed targets including the Abuja Declaration of 2001 on health allocations which should be at least 15% of the national budget, the Dakar Declaration targeting at least 20% of the resources to education and the Maputo Declaration of at least 10% of the total budget to the Agricultural sector. The policy framework has to be committed to achieving the various Sustainable Development Goals relevant to specific social sectors. Fulfilment of international commitments gives credibility to the budget.
- h) **Tax System:** The 2017 National Budget should support a progressive tax system by ensuring that more tax comes from other forms of taxation other than VAT and PAYE, which only targets the majority poor population. Companies should be taxed more and tax holidays should be careful enough not to end up allowing companies to wind-up operations without paying any tax.

About ZIMCODD

The Zimbabwe Coalition on Debt and Development (ZIMCODD) is a social and economic justice coalition established in February 2000 to facilitate citizens` involvement in making pro people public policy. ZIMCODD views indebtedness, the unfair global trade regime and lack of democratic people -centered economic governance as root causes of the socio – economic crises in Zimbabwe and the world at large. Drawing from community based livelihood experiences of its membership, ZIMCODD implements programmes aimed at delivering the following objectives;

- To raise the level of economic literacy among ZIMCODD members to include views and participation of grassroots and marginalised communities
- To facilitate research, lobbying and advocacy in order to influence and promote policy change
- To formulate credible and sustainable economic and social policy alternatives
- To develop a national coalition and facilitate the building of a vibrant movement for social and economic justice.

Our vision

Sustainable socio-economic justice in Zimbabwe through a vibrant people based movement.

Mission

To take action in redressing the Debt burden, Social and Economic Injustices through formulation and promotion of alternative policies to the neo-liberal agenda.

For more information, please contact:

Mr. Liberty Bhebhe: National Chairperson: +263 774 208436 ,

Email: liberty_bhebhe@yahoo.com

Ms. Patricia Kasiamhuru: Executive Director: +263773213770, Email:

patriciak@zimcodd.co.zw

Contact ZIMCODD Head Office:

226 SamoraMachel Avenue, Eastlea, Harare Tel: +263-4-776830

Website: www.zimcodd.org

Facebook Page: Zimbabwe Coalition on Debt and Development,

Profile: ZimcoddZimcodd

Twitter: @zimcodd1