



## ***Investing in People for Social and Economic Justice***

### **Response to the President's State of the Nation Address, 18 September 2018**

On 18 September, His Excellency the President E.D Mnangagwa delivered a State of the Nation Address (SONA) during the opening of the Ninth Parliament of Zimbabwe. The Zimbabwe Coalition on Debt and Development (ZIMCODD) followed the address with keen interest and hereby makes this statement in reaction to the SONA.

#### **ZIMCODD noted key issues of interest within its working mandate from the SONA:**

- Sustained emphasis on servant leadership in his administration.
- Ambitious vision of a middle income economy by 2030, driven by “rapid modernization and industrialization
- Legislative agenda to create a conducive climate for accelerated economic development
- Commitment to clear external debt arrears
- Decent jobs and poverty reduction promises
- Improved social services

ZIMCODD is concerned that the legislative agenda set forth by the President primarily seeks to give an impetus to the ambitious Upper Middle Income Economy (U-MIE) Agenda through a market oriented investment drive. Citizen participation and government accountability are important governance principles for promoting sustainable development. The legislative agenda falls short of recognition of the citizens' crucial role in economic development planning according to section 13 subsections 1-4 of the constitution which emphasise that citizens must be involved in the formulation of developmental plans. The government should ensure that it honours this constitutional duty requiring citizen participation in formulation and implementation of development plans that affect them

ZIMCODD further notes that, despite comprehensive constitutional, legislative, institutional and policy framework already in existence, the Zimbabwean economy remains in choking debt stress and unsustainable fiscal deficit. Zimbabwe is currently saddled with a national debt stock of US\$ 18.4 billion which is 74.9% of the Gross Domestic Product (GDP). The public and publicly guaranteed debt stands at US\$15.9 billion while the private sector debt stands at US\$2.5 billion. Government has resorted to finance the unsustainable budget deficit through the issuance of Treasury Bills (TBs) and recourse to overdraft with the Reserve Bank. The trend is expected to increase owing to a projected budget deficit of US\$672.3 million (3.5% of GDP) in 2018.

This economic trend can largely be attributed to lack of fiscal transparency and mismanagement of public resources. The effect of the national debt stock on the livelihood of citizens is often understated. The government has turned to local funding for its operations resulting in an overdraft with the Reserve Bank of Zimbabwe of \$1,2 billion and the issuance of Treasury Bills worth over \$2 billion to get funding from local banks. Local banks in turn have channelled their deposits back into treasury bills. This has heavily curtailed the ability of depositors to withdraw their money in the form of cash; hence the long queues that now exist outside the banks. The damage on small to medium enterprises, rural small scale farmers, vendors and sole traders is crippling.

Comprehensive and rigorous legislative measures must be considered to reduce the continued fiscal leakages, budget deficits and unsustainable debt amidst rampant illicit financial flows (IFFs) and poor social services delivery. The nation is endowed with abundant valuable natural resources particularly

in the form of mineral wealth, arable land and attractive tourist destinations which have not translated into improved standard of living for the majority of the citizens both in rural and urban areas.

ZIMCODD would like to draw the attention of the new administration and parliament to the following critical social and economic enablers (*views also reiterated by Charasika, F. 2018*) which have been echoed by citizens across the country as the people of Zimbabwe yearn for an inclusive and participatory economic reform agenda whose mainstay is:

- a) **STRONG INDEPENDENT INSTITUTIONS**-The executive, legislature, judiciary and commissions will need to be independent of each other, allowing for efficient checks and balances that allow for accountability to the citizens, performance management as well as the impartial upholding of the rule of law. Demilitarization and de-politicization of functional commissions such as the Human Rights Commission, Anti-Corruption Commission, Gender Commission and the Peace and Reconciliation Commission for them to efficiently and impartially carry out their mandate.
- b) **STRENGTHEN THE FOUNDATIONS & ENABLERS OF ECONOMIC GROWTH**-In order to achieve the aspired >10% per annum GDP growth required to get us to middle income status, the incoming administration will need to ensure that there is strong investment in the key areas that catalyse and enable socio-economic growth and address any outstanding legacy issues that have prevented growth. These include updating and developing new infrastructure for transportation, power, water, industry, manufacturing and social services; Upgrading and developing new human capital skills required to create a highly skilled workforce; Embedding science, digitalization and technology into every aspect of the economy & society to improve efficiencies, productivity and ensure lasting impact; Instituting reforms in the public sector to create a results driven culture and adopt a comprehensive informal sector inclusion framework.
- c) **RESOLVING THE DEBT CRISIS**  
ZIMCODD is concerned that the debt clearance strategy for Zimbabwe is neither clear nor sustainable. The new Government intends to pursue the Lima Debt and Arrears Clearance Debt Strategy with urgency. The Zimbabwe debt question calls for a debt audit to ascertain which of the debt is legitimate and/or illegitimate so that the general citizens are not burdened by debt that suppressed their rights. The government is therefore called upon to echo the sentiments of unconditional total debt cancellation. There are opportunities available for Zimbabwe to attain to debt cancellation without following the Highly Indebted Poor Country (HIPC) route or securitising the nation's natural resources. A national consensus and call for debt cancellation based on sound reasons will relieve the country of the huge debt burden.
- d) **PROMOTION OF ENTERPRISE EFFICIENCY**  
While the President highlighted the government's intention to streamline some state owned enterprises (SOEs), ZIMCODD would like to caution the new administration that government should not necessarily relegate its duty to provide basic social services through privatization of SOEs, but rather should improve efficiency of these enterprises. Non performing boards and CEOs of these enterprises should simply be relieved of their duties.
- e) **PRIORITISE THE GROWTH OF OUR ECONOMIC DRIVERS**-Rapid economic growth in Zimbabwe will initially be driven by 5 key sectors which are Agriculture, Mining, Tourism, Industry & Manufacturing. However as the economy begins to turn, additional sectors will start to become significant contributors and these include Information Communication & Technology; Regional Wholesale and Retail Trade.
- f) **ENSURE FUNCTIONAL SOCIAL DEVELOPMENT**-While the incoming administration must emphasize economic growth to ensure employment creation and ensure that the fiscus generates enough revenue to address the range of national needs; the social development sectors which also represent the core human rights must not be neglected. This administration must provide quality education for the thousands of children who are out of school and decongest the overpopulated schools; Strengthen the health system by harnessing adequate financing to ensure that all citizens have adequate quality medical coverage; Ensure that all citizens have access to clean drinking water and sanitation facilities – incidents of cholera and typhoid outbreaks can be abated and must be controlled; Protect the environment and ensure

that it is sustainably managed by all stakeholders. This new administration will need to facilitate access to decent and affordable housing while ensuring that our towns and cities are well planned and organized in a way that allows sustainable growth.

g) **INCLUSION AND EMPOWERMENT OF WOMEN AND YOUTH**

Women and youth suffer more due to unemployment and have boosted the economy through their informal trade endeavors and resilience strategies for the survival of their families. This calls for their inclusion in the development of the economy. Women and youth take up low income jobs and define the gross national income yet their efforts are not recognized in the economy. They also despite their low income have a lot of needs than their male counterparts as defined through sex and gender roles. Low income economies affect women more as they are characterized by poor social service delivery, poor governance and gross human rights abuses. There is greater need to raise the stake for women participation in this Agenda so that gender disparities are minimized and addressed through the U-MIE 2030 Agenda.

In conclusion ZIMCODD welcomes the returning back of the Mines and Minerals Bill back to Parliament as an opportunity to address the current loopholes and will ensure that domestic resource mobilisation in the extractives industry will be strengthened. We call on the government to expedite the re-alignment of the Public Finance Management Act and the Public Debt Act to the Constitution, noting the importance of the parliamentary and citizens oversight role in public resource management in the next 5 years and beyond.

***For more information, please contact:***

*Mr. Liberty Bhebhe: National Chairperson: +263774208436 , [Email: libertybhebhe@yahoo.com](mailto:libertybhebhe@yahoo.com)*

*Mrs Janet Zhou: Executive Director: [+263775415685](tel:+263775415685), [Email: janet@zimcodd.co.zw](mailto:janet@zimcodd.co.zw)*

***Contact ZIMCODD Head Office:***

*226 Samora Machel Avenue, Eastlea, Harare Tel: [+263-4-776830](tel:+263-4-776830)*

*Website: [www.zimcodd.org](http://www.zimcodd.org)*

*Facebook Page: Zimbabwe Coalition on Debt and Development,*

*Profile: Zimcodd Zimcodd*

*Twitter: @zimcodd1*