

*Investing in People
For Social and Economic Justice*

Towards Women Engagement in Public Resources Management

2017 National Budget Analysis

I Introduction

A national budget represents the preferences and priorities of the government in a given period and is an influential management tool for achieving development objectives. This explains why the process should be an all inclusive one so that all the sections of the society are able to contribute to the final product. The trend for budget processes in Zimbabwe has been that the marginalised (women and youths) have not been fully participating. In response, ZIMCODD has embarked on a project to work with women in Goromonzi, Chitungwiza and Norton under the project 'Women Engagement in Economic Governance (WEEG)' for enhancing this critical section of society to appreciate and actively participate in the budget processes. The communities were trained in public finance management focusing on budget processes and were mobilised for active participation. They subsequently actively participated in the public hearings on 2017 budget and shared their aspirations through a position paper that ZIMCODD had developed with its stakeholders.

Therefore, this analysis is a response to the 2017 national budget presented on 8 December 2016 by the Minister of Finance and Economic Development, Hon Patrick Chinamasa. It is informed by the recommendations that were submitted by the coalition for consideration during the budget formulation stage and is meant to assess the extent to which the budget has responded to the peoples' aspirations. The analysis focuses on the sectors that have a direct bearing on ZIMCODD thematic areas that include debt management, public finance management, social and economic rights as well as trade and livelihoods.

The budget is premised on the Zimbabwe Agenda for Social and Economic Transformation (ZimASSET) clusters:

- Food Security and Nutrition;
- Value Addition and Beneficiation;
- Infrastructure and Utilities; and
- Social Services and Poverty Eradication

This will allow the citizens to be able to monitor and evaluate the achievements of the budget. The ZimASSET has got some clear set framework based on results based management. Previous budgets have not been directly interacting with ZimASSET yet the economic policy is now only a year and half to expiry.

The budget was presented in the context of social and economic instability. The cash crisis and the subsequent policy measures proposed and implemented by the monetary authorities have continued to dominate public discussions in Zimbabwe. The Reserve Bank of Zimbabwe (RBZ) introduced bond notes on 28 November 2016 regardless of the clear objections from the public and the business community. The cash crisis is still on thereby affecting social and economic activities and programs of the people. This just came a few weeks after an announcement by the President that Zimbabwe has lost a cumulative amount of around US\$15 billion from the diamond sector through illicit means thereby confirming the weaknesses in the country's public resources management systems.

The country has also been badly hit by drought thus the citizens expected the 2017 budget to support measures to respond to this climatic challenge. About 4 million people in rural areas in Zimbabwe will need food aid in the first quarter of 2017 due to the El Nino-induced drought conditions, according to Zimbabwe Vulnerability Assessment Committee report. Efforts should also thus go towards addressing adaptive measures with regards to Climate Change.

Furthermore, the budget was presented when the country continues to engage with its international creditors to clear the public debt that has been affecting its social and economic programmes. The creditors include the International Monetary Fund, World Bank and the African Development Bank. Zimbabwe has just produced its Interim Poverty Reduction Strategy Paper which is also expected to be supported by the 2017 budget for its success. Yet sectors like health are continuously suffering from lack of domestic funding. The sector relies heavily on external aid which is not sustainable.

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

2 Pre Budget Consultations

In fulfilment of the country's Constitution (Section 141), the Parliament facilitated the involvement of the public in the budget processes. From 12 to 15 September 2016, the Parliamentary Committee on Public Accounts held public meetings across the country's provinces. ZIMCODD mobilised its membership in Bulawayo, Mutare, Harare, Norton, Chitungwiza and Goromonzi for the meetings. Women participants to the WEEG project also participated during budget consultations in Norton, Goromonzi and Chitungwiza. A written submission was also made to the Parliament and the Ministry of Finance and Economic Development. However, it was noted that the public hearings were mainly restricted in urban centres thereby limiting the participation of citizens in rural areas. There is need for improvement in this regard in future processes.

3 Public Debt Management²

ZIMCODD notes that in the 2017 national budget statement, public debt management was given the attention it deserves. It is indicated that as at 31 October 2016, Zimbabwe's public debt stood at US\$11.2 billion or 79% of gross domestic product (GDP), of which US\$7.5 billion, 53% of GDP, is external debt. Of the US\$7.5 billion external debt, US\$5.2 billion is in arrears, and this has resulted in deterioration of relations with major creditors, thereby inhibiting access to finance. Domestic debt stood at US\$3.7 billion, representing 26% of GDP. It is critical to note that the increase in domestic debt, after 2013, was partly as a result of Government's assumption of Reserve Bank debt, which ZIMCODD had recommended against.

The budget statement shows how Zimbabwe managed to settle the debt arrears with the International Monetary Fund and the subsequent lifting of the "remedial measures" on the country. The re-engagement process agreed at Lima in 2015 will continue in 2017 and the budget proposes to support the settling of debts with the remaining creditors. However, the process will entail adoption of some structural reforms that are going to negatively affect the social and economic lives of citizens as they have done since the 1990s. Furthermore, the 2017 budget proposes to settle debts with the rest of its major creditors in early 2017, which however is likely to fail considering lack of financial capacity by the country at the moment.

4 Public Finance Management

ZIMCODD further notes that the 2017 budget proposes to prioritise improvements in the management of public resources. Alignment of the Public Finance Act to the country's Constitution is a welcome proposal while strengthening of the Office of the Auditor General will also go a long way in addressing some governance issues within the public institutions. However, there was need for support towards efforts to trace the huge amounts of potential resources that were illicitly lost from the official records in the various sectors of the economy as this will enhance transparency and accountability in future. The case in point is the \$15 billion diamond money that could not be accounted for from the mining sector as well as the issues raised in the 2015 Auditor General's Report on public resource governance.

2. See ZIMCODD Reflections on the 2017 National Budget with special focus on Debt Management

3. See ZIMCODD position paper on Reserve Bank Debt Assumption Bill.

5 Civil Service Wage Bill

ZIMCODD had recommended for the Government to address the issue of “ghost workers” and huge executive allowances and salaries to ensure adequate compensation of the bona fide civil servants whose life has been seriously compromised by poor remuneration over the years. However, the budget did not address these major issues. It is indicated that employment alone gobbled US\$2.63 billion between January and October 2016 which is 91% of total revenues for the period, at the expense of other capital projects and this is not sustainable. Of the total 2017 Budget of US\$4.1 billion, employment costs will take up US\$3 billion, leaving only US\$400 million for current operations, and US\$180 million for debt service, out of the overall proposal for recurrent expenditures of US\$3.58 billion. The above expenditure level on employment costs, however, still leaves only US\$520 million (14% of total revenues) for capital development programmes. This is not a favourable situation for the social and economic development of the country.

6 Comparative Analysis of 2016 and 2017 Budgets Allocations for Selected Sectors

Vote Appropriation	Total Budget: \$4 Billion	As % of Total 2016 Budget	Total Budget: \$4.1 Billion	As % of Total 2017 Budget
	2016	%	2017	%
Primary and Secondary Education	\$810,430,000	23.83%	\$803,771,000	19.6%
Home Affairs	\$395,854,000	11.64%	\$364,308,000	8.9%
Defence	\$357,665,000	10.51%	\$340,522,000	8.3%
Agriculture, Mechanisation and Irrigation Development	\$145,089,000	4.27%	\$292,696,000	7.1%
Health and Child Care	\$330,789,000	9.72%	\$281,976,000	6.9%
Higher and Tertiary Education, Science and Technology	\$304,235,000	8.94%	\$200,886,000	4.9%
Environment, Water and Climate	\$33,242,000	0.98%	\$40,100,000	1.0%
Youth, Indigenisation and Economic Empowerment	\$19,801,000	0.58%	\$17,192,000	0.4%
Small and Medium Enterprises and Cooperative Development	\$6,363,000	0.19%	\$6,131,000	0.1%
Women Affairs, Gender and Community Development	\$13,113,000	0.39%	\$8,434,000	0.2%

Source: Constructed using data from Zimbabwe 2017 National Budget Statement

NB: The table shows that Government does not prioritise the social and transformative sectors which have direct implications on women and youth

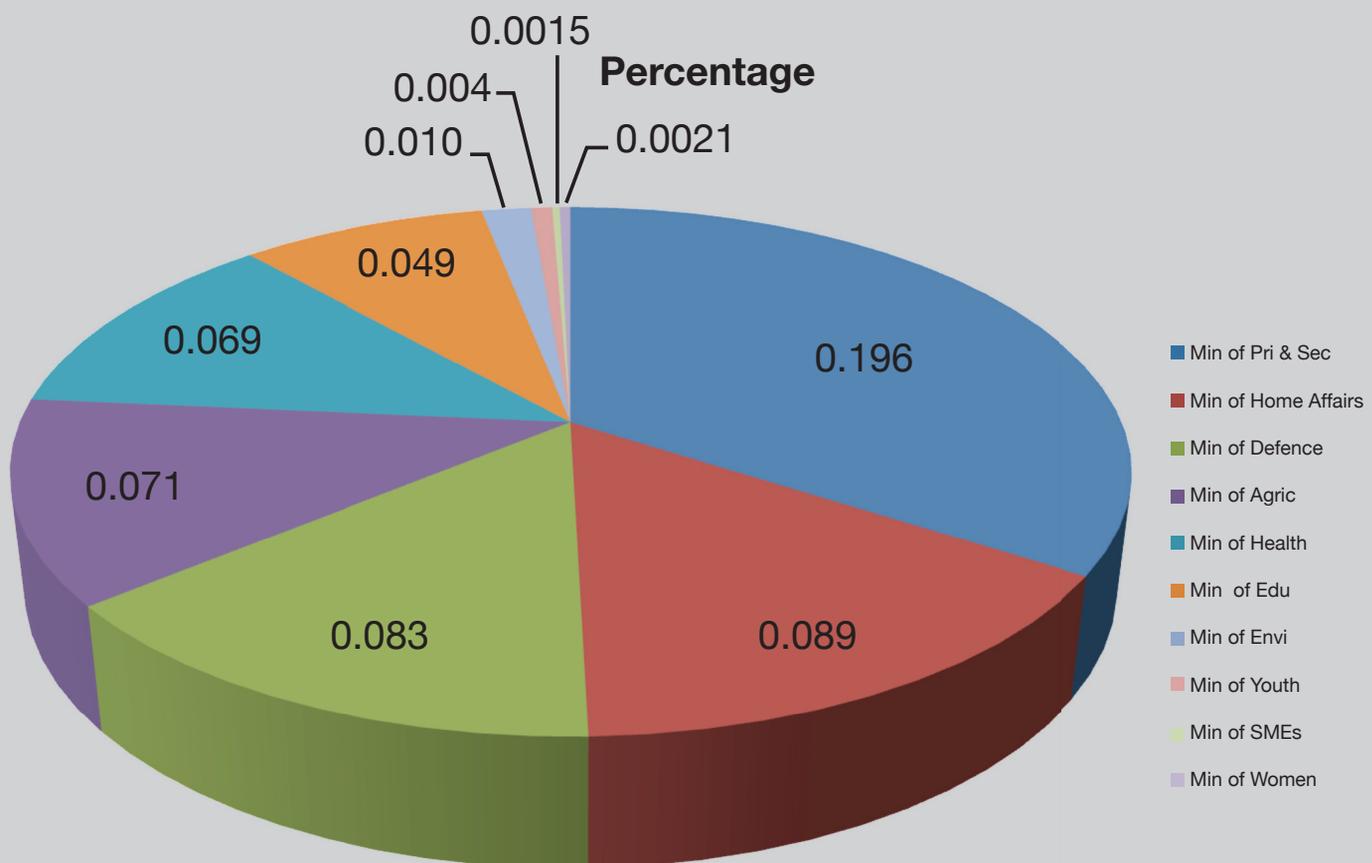
4. Zimbabwe 2017 National Budget Statement

5. *Ibid*

7 Non-fulfilment of International Commitments

The national budgets allocations for the selected sectors shown on the table above indicate that some commitments were not met. Some of the missed targets include the Abuja Declaration of 2001 on health allocations which should be at least 15% of the national budget and the Maputo Declaration of at least 10% of the total budget to the Agricultural sector. Fulfilment of international commitments gives credibility to the budget yet the 2017 budget has failed to meet the targets. The pie chart below clearly shows that some critical sectors like health, agriculture, environment, youth, women and small to medium continued to receive inadequate resources. Yet health for instance, has been relying heavily on support from development partners which is not sustainable and predictable.

Figure 2: Pictorial Representation of Sector Allocations



Source: Constructed from data from the Zimbabwe 2017 National Budget Statement

8 Social Protection

The budget proposes US\$193.8 million under the Ministry of Public Service, Labour and Social Welfare. The breakdown of the proposed expenditures are as follows:

- US\$10 million to fund the Basic Education Assistance Module (BEAM) programme for poor and vulnerable households to access education. This will go a long way in cushioning poor households. However, the selection of potential beneficiaries and the disbursement process should be transparent.
- US\$7 million for the Harmonised Social Cash Transfer programmes in support of vulnerable households to meet basic needs;
- US\$1.1 million for the drought mitigation programme, targeting distribution of grain to the ward level. This is critical considering that the country is heavily hit by droughts.
- US\$1 million to facilitate access to basic health services by poor and vulnerable households under the Health Assistance programme;
- US\$1.35 million for child protection services; and
- US\$800 000 in support of the elderly and people living with disabilities. This figure is however not enough for the sector that has also been suffering from under funding in the previous budgets.

9 Empowerment Schemes

The budget proposes to support women and youth initiatives notably the Women's Bank and youth development funds among other initiatives. ZIMCODD has been concerned about lack of strong and effective monitoring and evaluation mechanisms for the schemes as there has been evidence of lack of transparency and accountability in the administration of youth funds.

The combined budget of US\$31.7 million under the Ministries of Youth, Indigenisation and Economic Empowerment, Small & Medium Enterprises and Cooperative Development and Women Affairs, Gender & Community Development will however not be enough for the empowerment projects. Of this amount, US\$22.1 million was allocated for the payment of remuneration, which is not sustainable. The following figures show the breakdown for some selected budget items under the sector:

- US\$2 million for capitalisation and transformation of the Small and Medium Enterprises Development Corporation into a microfinance bank;
- US\$1 million towards the Youth Development Fund in support of community outreach training services and establishment of agricultural, manufacturing and service production hubs;
- US\$0.5 million as a first tranche towards the modernisation and re-tooling of machinery and equipment in our Vocational Training Centres.
- In support of women empowerment, the 2017 Budget proposes to allocate US\$10 million for capitalisation of the Women's Micro-Finance Bank. Yet in the previous budget, the same initiative has not well supported.

10 A brief look at Revenue Proposals

ZIMCODD holds that the country has got enough resources for its social and economic needs. Therefore efforts should be directed towards strengthening of the public resources management systems. Indeed, the 2017 budget proposes to address this area through aligning the relevant legislations to the country's Constitution. This paper notes some proposals in the budget.

Health Fund Levy (SMEs): Operating Environment

Proposals to introduce a health fund levy of 5 cents for every dollar of airtime and mobile data, under the theme, 'Talk-Surf and Save a Life' for the 1st of January 2017. It is not however clear if both the mobile network owner and user will contribute or one of them. There is need for tightening of transparency and accountability systems to ensure that women and youths benefit from the levy.

Small to Medium Scale Enterprises (SMEs): Operating Environment

The budget acknowledges the challenges faced by the small to medium scale enterprise which include challenges include inadequate financing, improper infrastructure and lack of requisite entrepreneurial, marketing and management skills, among others. In order to facilitate Value Added Tax (VAT) registration for SMEs that qualify on account of their gross turnover exceeding the threshold of US\$60 000 per annum, it is proposed to waive the requirement to account for output tax from the deemed date of qualification for registration. This moratorium will be effective over a period of six months beginning 1 January 2017.

6. Zimbabwe 2017 National Budget Statement, *Ibid*

II Conclusion

The 2017 budget is not different from its predecessors. Critical social sectors continued to receive inadequate resources compared to security sectors. Furthermore, employment costs have remained in the unsustainable zone hence capital projects are not going to be well supported in 2017. The budget has been premised on the ZimASSET framework which will assist in the monitoring and evaluation of its impact. However, special projects like youth and women funds have to be properly managed and evaluated to avoid previous mismanagement of the resources meant for vulnerable sections of the society. To ensure a gender responsive budget, the Government needs to prioritise the participation of women and other marginalised groups in the whole budgeting process including resource allocation.

12 Recommendations

- Evaluation (auditing) of previous youth and women projects supported by previous budgets before implementation of the 2017 proposals. The budgets should be youth and gender responsive in nature.
- Increased allocations to social sectors particularly health to meet the Abuja targets of 15% of the total budget as well as resources for the women, elderly and disability sector.
- Auditing of the public debt before the country commits itself to settling the arrears with the rest of the creditors to ascertain the actual size and legitimacy of the debts.
- In future, budget public hearing meetings to spread to the rural areas to allow all citizens to participate, including women and youths.



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