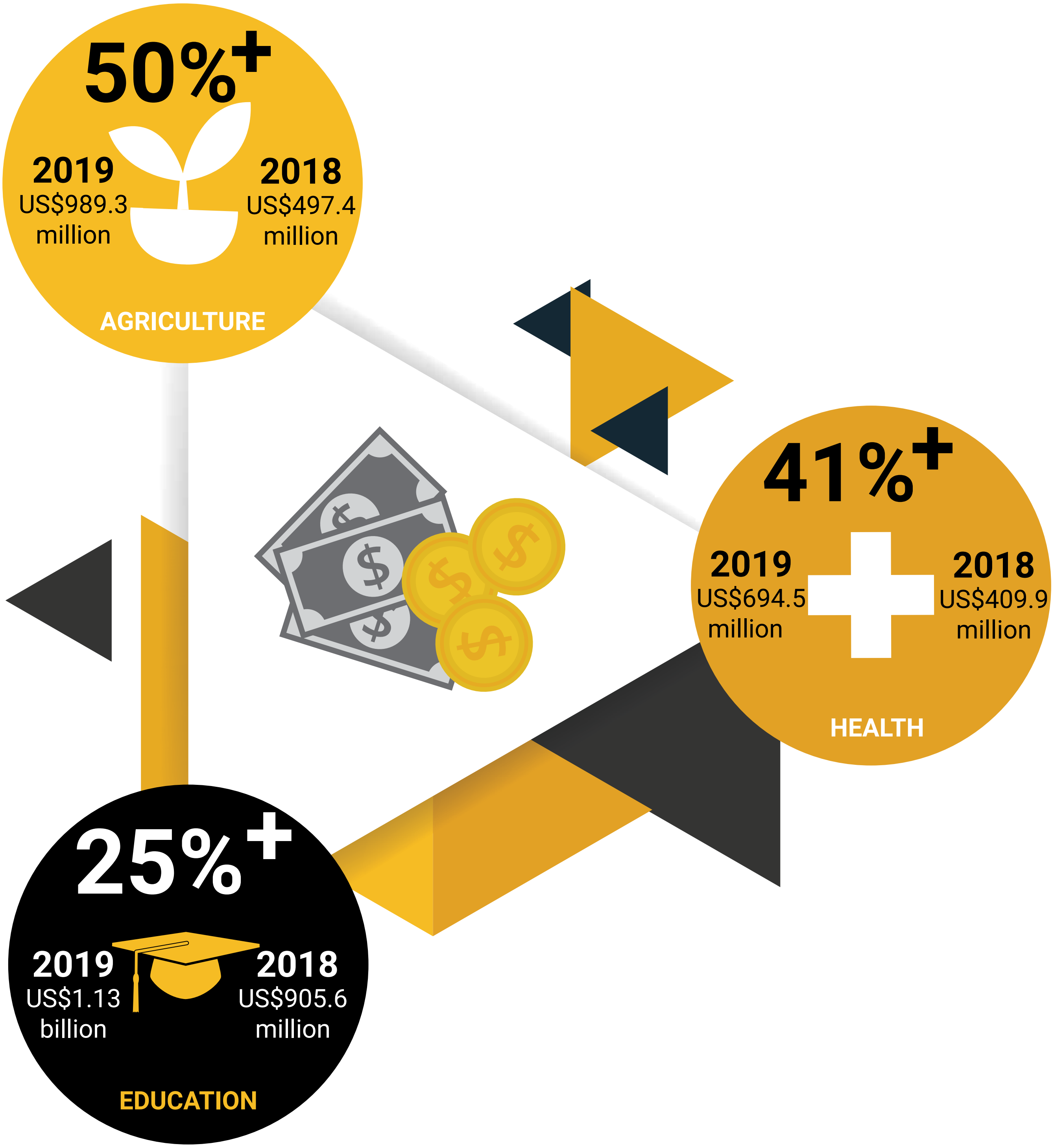
POLICY BRIEF
SEPTEMBER 2019



PERCENTAGE SHARE OF SOCIAL SPENDING IN GOVERNMENT EXPENDITURE: REFLECTIONS FROM THE 2019 FISCAL FRAMEWORK

KEY MESSAGES

- Consistent with Section 30 of the Constitution of Zimbabwe Amendment (No 20) of 2013, the Government of Zimbabwe is mandated to take all practical measures within the limits of the resources available to it, to provide social security and social care to those who are in need.
- Citizen participation in policy review, strategic planning, budget preparation, monitoring, evaluation and review, external audit and reporting remain central in ensuring that social service delivery conforms to the needs and aspirations of the target groups.
- As the government pursues austerity measures characterised by expenditure cuts and increase in taxation, deliberate pro-poor policies must be enacted to protect vulnerable and disadvantaged members of society. The state of social and economic situation in Zimbabwe requires the government to set up effective social safety nets to ensure access to basic goods and services[1] especially for women, children, the elderly and people with disabilities singled out in part 3 of Chapter 4 of the Constitution of Zimbabwe.
- Budget allocation towards social protection remains the cornerstone for resolving the root causes of poverty, inequality, unemployment and underemployment in Zimbabwe.
- The government recognises the role of non-state actors in financing social protection, however, these contributions from the private sector, development partners, civil society organisations and voluntary organisations are not well documented and coordinated.
- The government, should take a leading role in funding social protection, whilst creating a conducive environment for no state actors to augment government efforts.
- The long awaited National Social Protection Policy Framework (NSPPF) will go a long way in harmonising the funding of social protection which is currently fragmented.

1 The Zimbabwe Human Rights Commission, ZHRC Statement on the Deteriorating Socio-Economic and Security Situation in Zimbabwe, 22 January 2019

INTRODUCTION

The budget allocation towards social spending remains the cornerstone for resolving the root causes of poverty, inequality, unemployment and underemployment currently embedded in dual economies where a few elites control the economy with the majority poor at the periphery of decision making. The short, medium and long-term development plans must therefore reflect both people's aspirations and the financing mechanisms with clear monitoring and evaluation frameworks. However, national budgets for Zimbabwe have largely been characterized by a myriad of challenges emanating from a very narrow fiscal space, poor maintenance of accounting records, diversion of funds to non-intended purposes, paying for goods not delivered, improper accounting of asset records as well as overstating and understating of revenues and expenditures. amid the growing social and infrastructure needs of the country. The economic slowdown since the early 2000s coupled with the country's indebtedness which stood at US$16.65 billion as of 31 December 2018[2] , compromises revenue collection and government expenditure and ultimately public service delivery. Ironically, Zimbabwe Revenue Authority (ZIMRA) is on record for exceeding revenue targets every year.

Section 30 of the Constitution of Zimbabwe Amendment (No. 20) of 2013 mandates the government of Zimbabwe to "take all practical measures within the limits of the resources available to it, to provide social security and social care to those who are in need". This therefore forms the basis on which the government should mobilise public resources to ensure the respect, protection and promotion of human rights as enshrined in Chapter 4 of the national Constitution. To this end, specific Fund Accounts such as Child Welfare Fund, the Disabled Persons Fund, National Drought Fund, National Rehabilitation Centres Welfare Fund and the Older Persons Fund, have been created to safeguard rights of special interest groups. There is, however, a general neglect on the part of government in addressing vulnerabilities and risks in the face of shocks and natural disasters. However, the Ministry of Public Service Labour and Social Welfare which is mandated to reduce poverty and enhance self-reliance through the provision of social protection services to vulnerable and disadvantaged groups in Zimbabwe has a recurrent record of diverting resources from these fund accounts. Out of the US$1.8 billion diverted by government departments in 2017, about 58% were funds diverted from the funds administered by the Ministry of Public Service Labour and Social Welfare[3].

The unavailability of dedicated and adequate resources to implement Disaster Risk Reduction (DRR) programmes and centralisation of power and resources has limited the scope of government to effectively implement social protection programmes. In some cases, the government relies on crowd funding from citizens and donors to meet the urgent needs of the affected areas. A case in point is the incident of cyclone Idai which affected the greater part of Chimanimani and Chipinge districts in Manicaland province where the government mobilised considerable material and financial resources through crowdfunding in support of the victims of the cyclone.

Citizen participation in policy review, strategic planning, budget preparation, monitoring, evaluation and review, external audit and reporting remains central in ensuring that social service delivery conforms to the needs and aspirations of the target groups. It is therefore the purpose of this policy brief to critically analyse the extent to which the government prioritises social security programmes as an important tool for promoting human and sustainable development in Zimbabwe. The policy brief provides recommendations for enhancing the effectiveness of national budget allocation in the context of poverty alleviation, resource availability, allocation, administration and utilization.

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2 Ministry of Finance and Economic Development, Letter to ZIMCODD, 2019

3 ZIMCODD, An analysis of the Auditor General's Report Findings from a Social and Economic Justice Perspective, 2018

The policy brief has been developed in view of the 2019 National Budget Statement, Transitional Stabilisation Programme (TSP), Vision 2030[4] and the commitment to social protection as enunciated in the United Nations (UN) Agenda 2030[5].

REFLECTIONS FROM THE 2019 FISCAL FRAMEWORK

The 2019 Fiscal Policy which was presented against a very tight fiscal space is hinged on a long-term development framework: Vision 2030; that seeks to transform the country into an upper middle-income economy by 2030. The budget is informed by the "Austerity for Prosperity" mantra underpinned by both expenditure cutting and an increase in taxation which has eroded people's incomes. This is albeit the increasing demand for social protection due to the general socio-economic challenges facing the economy[6] characterized by outbreak of communicable disease outbreaks such as cholera and typhoid, shortage of medical equipment and supplies, erratic water supplies in major cities and towns, rising poverty levels exacerbated by the informalisation of the economy. To that end, the Zimbabwe Human Rights Commission in their statement on the deteriorating socio-economic and security situation in Zimbabwe called on the government to make radical decisions to remedy the situation. Both the TSP and the 2019 Fiscal Policy negates human development aspects such as poverty reduction, equality and quality health, education and wellbeing. The government has taken too long to enact the National Social Protection Policy Framework (NSPPF) for Zimbabwe which proposes a cocktail of financing mechanisms towards social spending. The actualisation of the NSPPF will go a long way in harmonising the funding of social protection which is currently fragmented. The proposed funding options for social protection under the draft NSPPF are as follows;

Funding Options for Social Protection in Zimbabwe
i. Prioritise the funding of social protection[7] in the government yearly budgets by ring fencing funding for social protection especially from natural resources revenue; *ii. Carry out periodic costing of the social protection floor,* *iii. Improve revenue collection to ensure that adequate resources are apportioned towards social protection in a predictable and sustainable manner and,* *iv. Make use of fiscal and central bank foreign exchange reserves in the financing of social protection.* *v. Harnessing of funding from non-state actors*

Source: National Social Protection Policy Framework (NSPPF)

The government recognises the role of non-state actors in financing social protection. However; these contributions from the private sector, development partners, civil society organisations and voluntary organisations are not well documented and coordinated. The government, should therefore take a leading role in funding social protection, whilst creating a conducive environment for no state actors to augment government efforts and ensure that such efforts are coordinated and well documented.

Investment in Social and Economic Rights

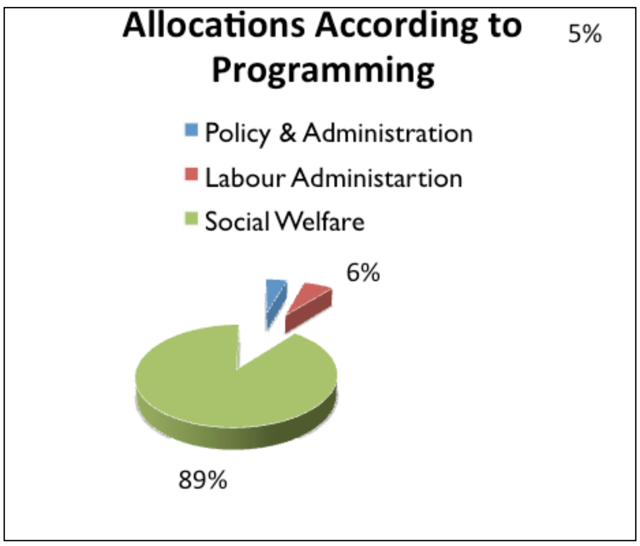
Social, Economic and Cultural rights spelt out in the International Covenant on Economic, Social and

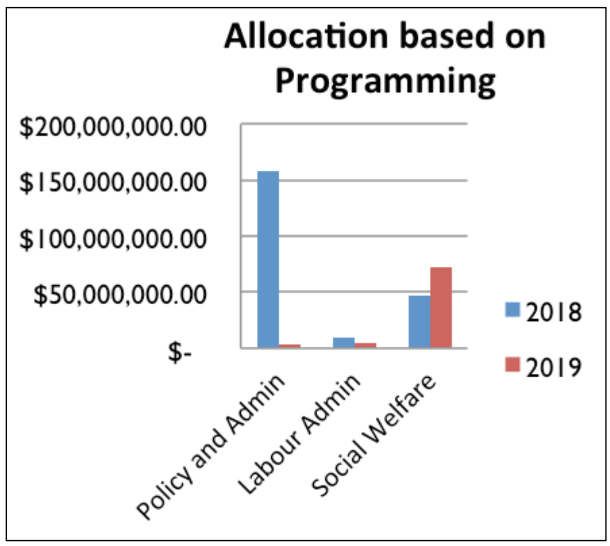
4 *Vision 2030 is the broader macroeconomic policy framework aimed at transforming Zimbabwe into an Upper Middle-Income Economy by 2030*
5 *United Nations (UN) Agenda 2030 are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity.*
6 *The Ministry of Finance and Economic Development, The 2019 National Budget Statement, 2018*
7 *Government of Zimbabwe, Draft National Social Protection Policy Framework for Zimbabwe*

Cultural Rights (ICESCR) of 1966 requires huge investment to ensure the realisation of such rights. Article 2.1 of the International Covenant on Economic, Social and Cultural Rights (ICESCR) states that "Each State Party to the present Covenant undertakes to take steps, individually and through international assistance and co-operation, especially economic and technical, to the maximum of its available resources, with a view to achieving progressively the full realization of the rights recognized in the present Covenant by all appropriate means, including particularly the adoption of legislative measures."In the event of failure to meet at least its minimum core obligations due to lack financial resources, the state, has an obligation to demonstrate that every effort has been made to use all resources that are at its disposition in an effort to satisfy, as a matter of priority, those minimum obligations. The government of Zimbabwe, therefore, has an obligation to avail resources for the realisation of social and economic rights and the attainment of Sustainable Development Goals (SDGs) by 2030.

Social Welfare Budget Allocation

Whilst there is an overall reduction in the allocation of resources to the Ministry of Public Service, Labour and Social Welfare from US$213.4 million in 2018 to US$81.2 million in 2019, there has been an improvement in the allocation towards social welfare. About 89% of the Ministry's allocation for 2019 goes towards social welfare whilst the remaining 11% is shared between Policy Admin and Labour admin designated as 5% and 6% respectively. The social welfare budget rose significantly by 53.8% from US$47.2 million in 2018 to US$72.6 million in 2019. On the other hand, there was a substantial reduction in the Policy and Administration budget from US$158.3 million in 2018 to US$3.6 million in 2019. Employment costs also fell significantly from US$165.2 million to US$7.3 million in 2019.



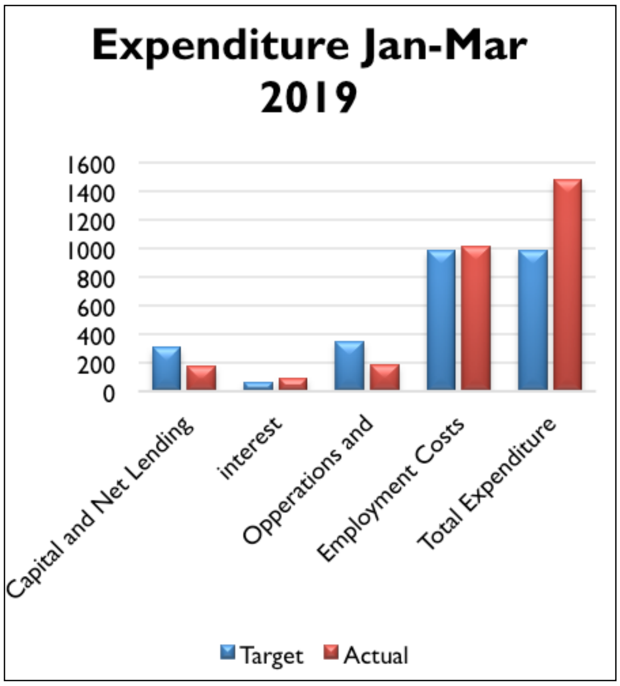


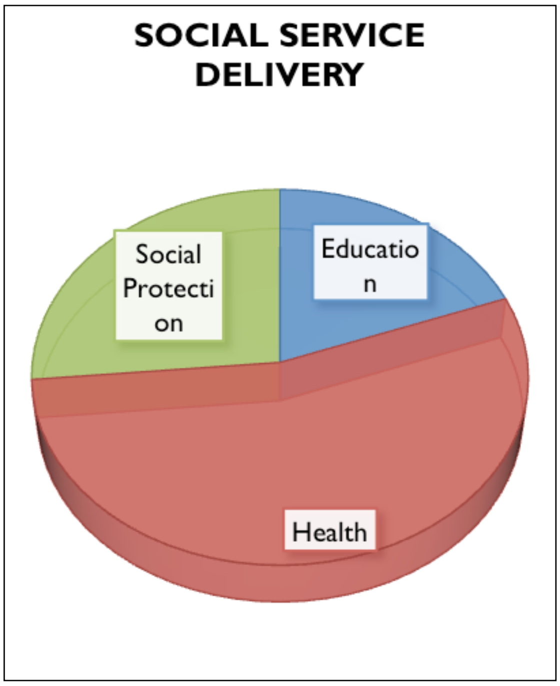
Source: Author based on Budget figures for 2018 and 2019

Family, social protection and repatriation takes up almost half of the social welfare budget estimated at US$35.3 million followed by child welfare at US$31.6 million. Given the 500 000 households below the food poverty line targeted by the draft National Social Protection Policy Framework (NSPPF), the US$35.3 million allocated towards family, social protection and repatriation translates to US$5.9 per annum. This amount is not sufficient for monthly household requirements amid high inflation rates reaching 75% by end of April 2019. On the other hand, disability and rehabilitation services, refugees and PVOs collectively have been allocated US$5.2 million, constituting 7% of the social welfare budget. People with disabilities in particular continue to be marginalised, receiving a meager US$2 million which translates to US$2.22 per person per annum given that people with disability are estimated at 900, 000[7]. This is especially disturbing considering that the government is celebrating a

7 *Living Conditions among persons with disability Survey, Key Findings Report, 2013*

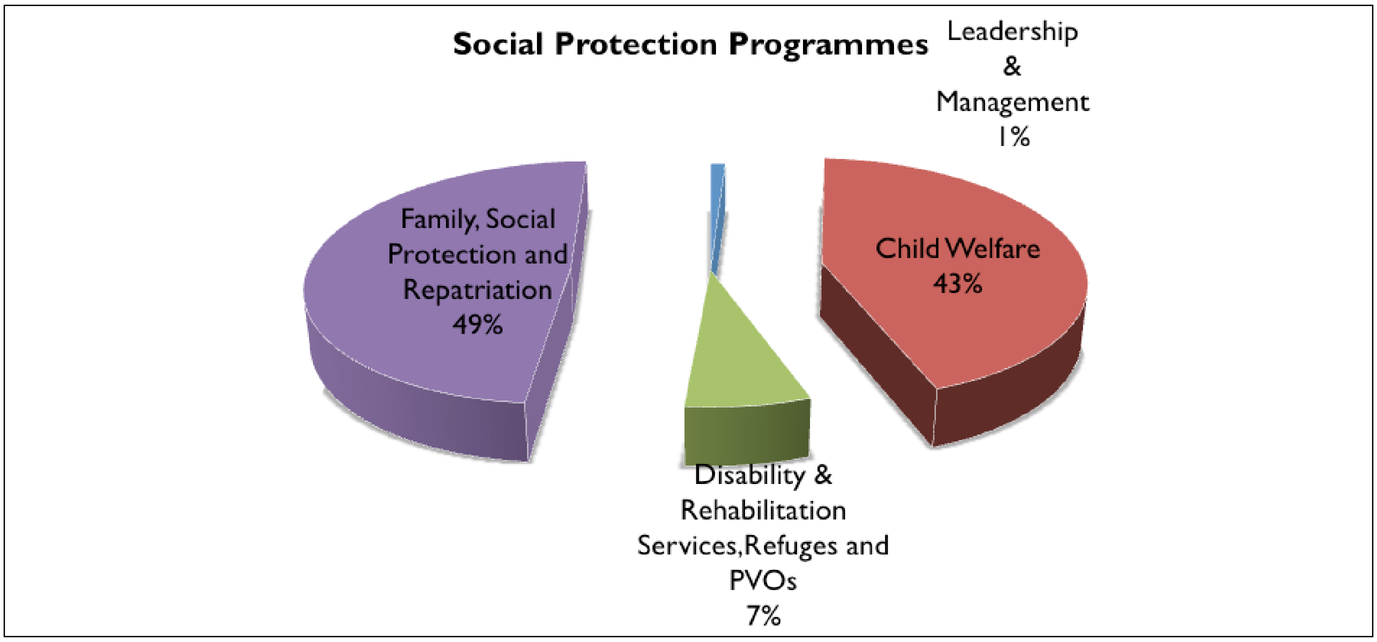
budget surplus of RTGS$431 million in the first quarter of the year (January-March 2019). Moreover, the savings made during the first quarter are attributed to reduced outlays towards operations and maintenance as well as delayed expenditures on capital programmes. This implies that there was only a delay in the payment of capital programmes which commenced in the first quarter of 2019. The purported savings are already earmarked for payment of capital projects.





Source: Treasury Quarterly Bulletin (Jan-Mar 2019)

RTGS$16.5 million was disbursed towards social protection programmes such as Basic Education Assistance Module (BEAM), Harmonised Social Cash Transfer, drought mitigation and sustainable livelihoods, among others whilst the education sector received RTGS$12 million in support of teaching and learning materials and programmes. The health sector received the bulk of the allocation towards social service delivery at RTGS$33.9 million targeting preventative health and medical supplies, primary health care (child and maternal health) and hospital care (hospitals and health care centres)[8]



Source: Author based on Budget figures for 2018 and 2019

8 *Ministry of Finance and Economic Development, Treasury Quarterly Bulletin (January-June 2019), May 2019*

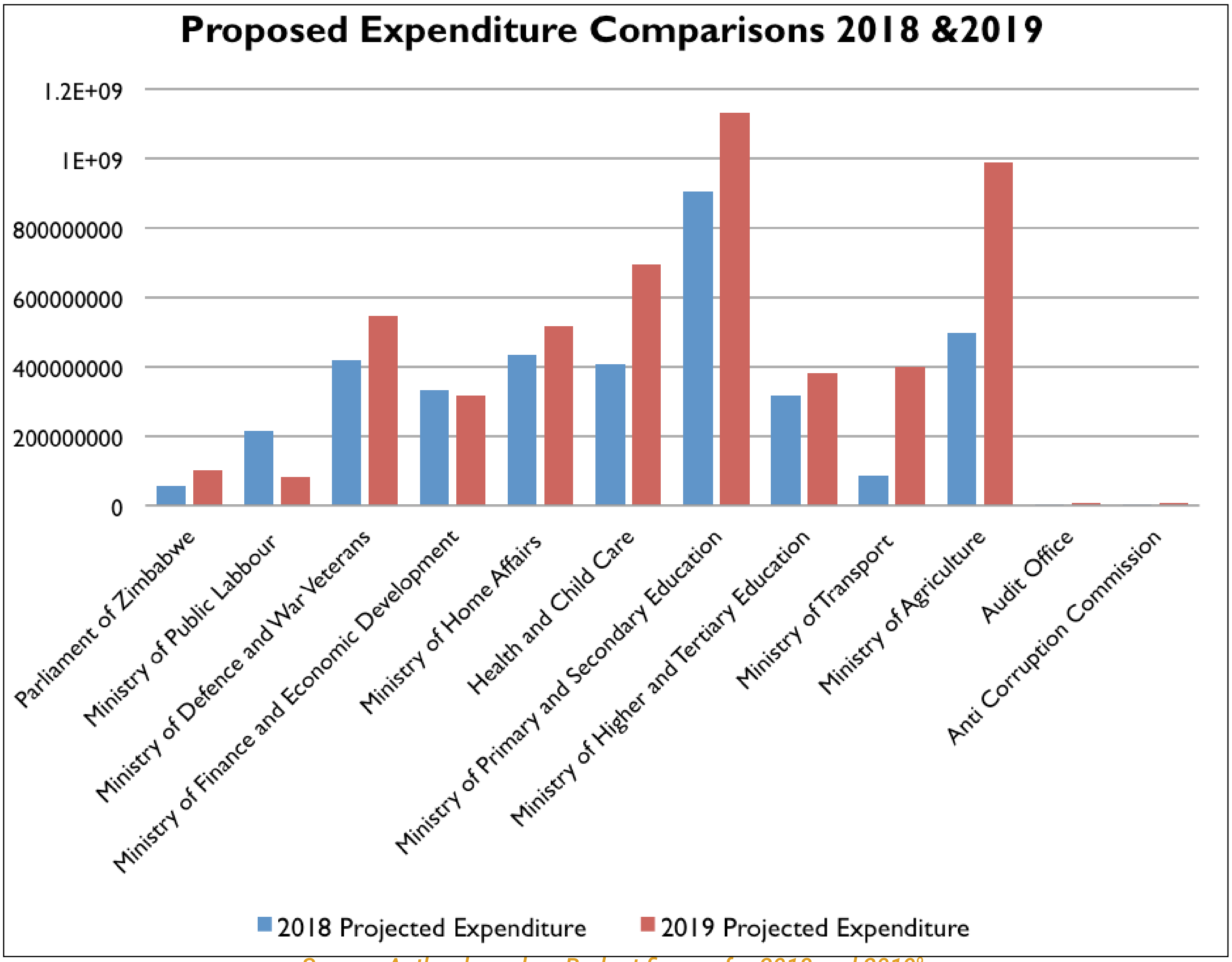
The specific social services earmarked for 2019 are as depicted below;

Social Service	Appropriation
Basic Education Assistance Module (BEAM)	*US$25 million*
Harmonised Cash Transfers	*US$12 million*
Sustainable Livelihood	*US$10 million*
Drought Mitigation	*US$4 million*
Health Assistance	*US$4 million*
Disabled Persons Support	*US$2 million*
Children in Difficulty Situations	*US$1 million*
Elderly Persons Support	*US$1 million*
Source: The 2019 National Budget Statement	

Given that the 2019 National Budget is targeting 415 900 children, the US$25 million allocated for Basic Education Assistance Module (BEAM) implies that each beneficiary will be entitled to US$60.11 per annum. This then explains the accumulation of arrears owed to the Ministry of Primary and Secondary Education over the years to the tune of US$81.7 million as of December 2017.

Social Service Budget Relative to other government priorities

The Ministry of Public Service, Labour and Social Welfare was allocated US$81.2 million compared to US$193.8 million and US$213.4 million allocated in 2017 and 2018 respectively. The 2019 budget for the Ministry is 62% lower than the 2018 budget constituting only 0.9% of the government total expenditure for 2019. The Ministry ranks 14th on overall allocations compared to its 7th ranking in 2018. This is the implication of the austerity measures being implemented by the government. The US$81.2 allocated to the Ministry of Public Service Labour and Social Service is less than the US$81.7 million which is owed to the Ministry of Education in terms of school fees and levy arrears under the BEAM programme. This is despite the fact that the Ministry is the one responsible for providing social safety nets including the protection of vulnerable groups. Paradoxically, the Ministry of Defence and War Veterans has been allocated US$546.9 million which shows a 30% increase from the 2018 budget. Furthermore, the budget fails to show how it will enhance local community benefit in terms of building local industry, support for SMEs to create jobs and social service delivery though it will be heavily financed by the citizens.

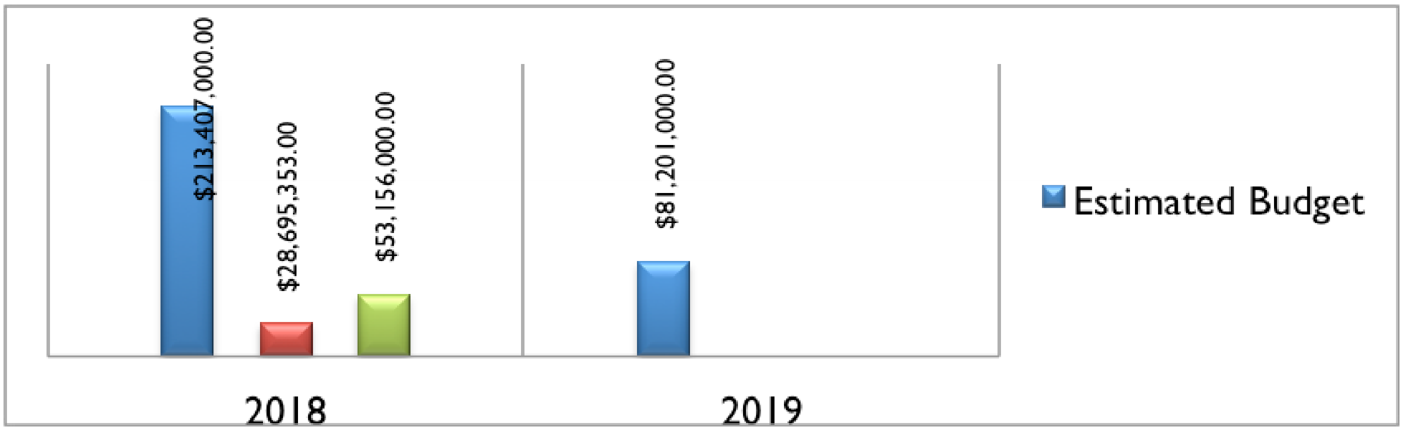


Source: Author based on Budget figures for 2018 and 2019[9]

Budget Credibility[10]

It is worrying that out of the US$213 million allocated towards the Ministry of Public Service Labour and Social Welfare in 2018, the actual expenditure to September 2018 constituted only 13% of the annual estimated expenditure to December 2018. Such lack of budget credibility exhibited in the 2018 national budget further compromises public trust especially when the government had an expenditure overrun of US$2.4 billion for the same period[11]. The overall expenditure outturn was US$8.2 billion against a target of US$5.3 billion, implying an expenditure overrun of US$ 2.8 billion by December 2018. On the other hand, the revised budget for the Ministry of Public Service, Labour and Social Welfare was US$53.2 million against the projected US$213.4 million. The huge cut in social spending is pursuant to a deliberate government policy aimed at cutting social expenditure in order to create savings for debt repayment and address the infrastructure gap.

9 *Proposed Budget Estimates for the year ending 31 December 2019, November 2018*
10 *Budget credibility is the ability of governments to accurately and consistently meet their expenditure and revenue targets*
11 *Ministry of Finance and Economic Development, 2019 National Budget Statement "Austerity for Prosperity", 2018*



Source: Author based on Budget figures for 2018 and 2019

Other Social services

AGRICULTURE SECTOR

Increase of 50% US$989.3 million in 2019 from US$497.4 million allocated in 2018 of agriculture financing

Bulk of the resources have been allocated to command agriculture with only US$130 million set aside to support 1 million vulnerable households.

HEALTH SECTOR

Was allocated US$694.5 million representing a 41% increase in sector resource allocation from the US$409.9 million allocated in 2018.

However, budget allocation towards health delivery accounts for 8.5% of the total budget, which falls below the Abuja declaration of at least 15 percent of the budget.

EDUCATION SECTOR

Increase of 25% budget allocation for primary and secondary education. US$905.6 million in 2018 to US$1.13 billion in 2019.

However, 93% of the education budget is dedicated towards employment costs whilst the remainder is covering operations and maintenance ($US77.1 million), and capital expenditure (US$37.2 million).

Whilst celebrating a nominal increase in budget allocation towards education, the 14% education to annual budget expenditure for 2019 is way below both the 20% threshold under the Dakar Declaration on Education and 18% ratio in 2018.

CONCLUSION

In its pursuit for the middle-income status by 2030, the government should not be obscured from the day to day realities that confront ordinary citizens with regards to deficiencies in social service delivery, poverty reduction and supporting vulnerable groups. While austerity measures are necessary for addressing the fiscal and current account deficits, government must cut unnecessary and wasteful expenditures associated with poor maintenance of accounting records, diversion of funds to non-intended purposes, paying for goods not delivered, improper accounting of asset records as well as overstating and understating of revenues and expenditures. The fiscal policy should therefore strike a balance between growing the economy whilst satisfying the needs of ordinary Zimbabweans, especially financing towards health, education, agriculture and social safety nets. The private sector bias has a risk of further marginalizing the poor and vulnerable groups.

POLICY RECOMMENDATIONS

Ministry of Public Service Labour and Social Welfare

- *The Ministry of Public Service Labour and Social Services in consultation with the Ministry of Finance and Economic Development should come up with an inclusive and effective financing framework for social protection with clear timelines. This framework will go a long way in the attainment of the country's short, medium and long term development plans including the SDGs.*

- *The Ministry of Public Service, Labour and Social Welfare should come up with a comprehensive framework for harmonising resources from the state and non-state actors and prioritise accordingly;*

Ministry of Finance and Economic Development

- *The Ministry of Finance and Economic Development should develop and implement fiscal policies that distribute the burden of taxation and public spending in a manner that prioritizes the needs and aspirations of marginalised groups and ultimately protect and promote human rights as enshrined in the national constitution;*

Parliament of Zimbabwe

- *The Parliament of Zimbabwe should enforce laws that protect fund accounts earmarked for social protection to ensure that the resources for social protection cater for programmes that are in line with the objectives of the respective fund accounts as outlined in the respective Acts of Parliament and Constitution. In the event of already borrowed funds, the Ministry of Public Service Labour and Social Welfare must facilitate the reimbursement of the funds borrowed from the Child Welfare Fund, Disabled Persons Fund, National Rehabilitation Centres Welfare Fund and the Older Persons Fund in order to promote the well-being, welfare, care and protection of the marginalised groups in Zimbabwe.*

- *Parliament of Zimbabwe should enforce frameworks for early detection of financial irregularities and diversion of resources from social service delivery such as the submission of quarterly reports to parliament by respective government Ministries to ensure that social protection funds reach their intended beneficiaries.*

- *Parliament of Zimbabwe should leverage on the current alignment of the Public Finance Management Act to the Constitution to legislate gender-based budgeting in order to make it mandatory for ministries and government departments/agencies to budget from a gender perspective.*

Civil Society Organisations

- *Civil society organisations should strengthen social accountability mechanisms including regular independent budget analysis and expenditure tracking for sharing with Parliament in order to enforce budget credibility in Zimbabwe*

Investing in people for social & economic justice

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