Investing in People for Social and Economic Justice

ZIMCODD 2018 Post- National Budget Analysis: Towards a sustainable and people centred economy

"Economy in transition series"

The Zimbabwe Coalition on Debt and Development has been participating in the national budget consultative processes for the past 3 years and has received considerable recognition from a number of parliamentary portfolio committees during pre-budget consultative processes. ZIMCODD facilitates the participation of its Social and Economic Justice Ambassadors (SEJAs) who represent the 82 institutional members of the coalition, livelihoods assemblies in the rural areas and the 11 sectors who form the coalition. During the 2018 pre-budget consultations ZIMCODD made both oral and written submissions which focused on small holder farmers issues, expenditure management by government to unlock resources for development, the need for progressive taxation, plugging of illicit financial flows in order to build domestic resource mobilisation base, public debt, re-engagement with the international community and the implementation of the Office of the Auditor General's Reports recommendations. The submissions also called on the government to work on a budget that is pro- poor given the current prevailing economic challenges.

The Minister of Finance and Economic Development, Patrick Chinamasa, presented the 2018 National Budget on the 7th of December 2017. The budget came in at a time when Zimbabwe is undergoing a political transition under a new Government led by President E. D. Mnangagwa who occupied the post after the historical oust of former president R. G. Mugabe who had led the country for 37 years.

ZIMCODD acknowledges the positive steps that have been taken by the government through the budget which are also in line with what ZIMCODD has been calling for over the years, notably;

- Government Expenditure Management- the flushing out of ghost workers, cutting of hefty packages for government executives, cutting down on number of foreign missions, stopping some of the sub-contracted services among other initiatives to reduce government expenditure,

- Reframing of the Public Finance Management through aligning the Public Finance Management to the constitution and harmonising the same with other relevant Acts of Parliament,
- Addressing the debt question through ensuring that borrowing by government and other state institutions are within the constitutional thresholds both for the domestic and external debt which stands at 20% of the previous year's government revenue and not exceeding 70% of the GDP respectively,
- Strengthening of accountability mechanisms such as the initiation of life style audits for public service officials, aligning accounting standards to international standards and setting up of the The Public Finance Technical Response Unit under the Accountant General's Office to monitor implementation of the Office of the Auditor General's Reports recommendations,
- The government made a stride in line with the submissions made on allocating 10% of the budget to Agriculture in line with the Maputo Declaration. In the 2018 budget the budget allocation to the sector improved and almost reached the Maputo Declaration threshold of 10% receiving USD497,381,000.00 (9%) of the total budget, a doubled allocation from the 4.27% of 2017.

Whilst acknowledging the above steps in the right direction to revive the economy, ZIMCODD is gravely concerned by the following;

- "New Economic order" rooted in the market economy ideology which gives supremacy to cutting down on social expenditure, privatisation, labour market flexibility and opening up to corporate investments- amongst other austerity measures. From the ESAP experience in Zimbabwe and the world over where austerity measures have been implemented such as in Greece and Italy they were a disaster as they renege on commitments to people centred development,
- Re-engagement and International Cooperation- the budget emphasises the need for re-engagement with the international community including bilateral and international financial institutions to unlock financial support. The re-engagement terms should go beyond the current framework and be open for public debate, citizens' rights and interests should inform the re-engagement processes
- Public Enterprise and Local Authorities Reforms- The budget statement proposes to shut down, commercialise, privatise through Public Private Partnerships (PPPs) non performing parastatals in order to relieve the financial burden from the government. Whilst reforms are welcome the implementation of PPPs should done cautiously especially for parastatals that are key in providing social services to the citizens. The policy to reform public institutions should also be clear on how debt that was accrued by these institutions will be settled to avoid assumption of debts that choke the fiscus.
- Informal sector support is not adequately addressed in terms of availing a sound policy framework to avoid piece meal interventions. Under the New Economic Order more attention is being given to attracting large corporation without spelling out how the informal sector will be developed save for the USD2,5 million from the presumptive taxes allocated to developing the vendors into formal enterprises and another USD2million for the construction of premises,

- Governance costs- the retrogressive step being taken to support provincial and metropolitan structures is unconstitutional and it negates the principles of social and economic justice in an equitable and inclusive society,
- Externalisation of Funds and Assets- the budget statement proposals are not conclusive. The 3 months moratorium to return back externalised funds by the President and in the budget statement is not enough to address the loop holes facilitating Illicit Financial Flows (IFFs),
- Special Economic Zones (SEZ) - the drive for the establishment of SEZ pose a challenge to labour rights and tax justice in a nation where domestic resource mobilisation is critical for sustainability.

- Fiscal performance and the tax justice question- the budget projects government revenue at USD 5,071billion and USD4,3billion is expected to be raised from tax. The major contributors being VAT, PAYE and excise duty. This means that the citizens of Zimbabwe are going to bear the cost of financing the 2018 budget while corporates contribute minimally to the government revenue. The budget fell short in protecting citizens against a retrogressive tax system.
- Fiscal Outlook- the 2018 national budget statement already projects a deficit of USD672 million and this is worrisome.
- The land question- the need for a land audit cannot be disputed however the reallocation of land and accommodation of former commercial farmers has the potential to disenfranchise some genuine farmers who could not be productive due to harsh economic and climate conditions. The agricultural support is largely biased towards large scale farmers and does not adequately address small scale farmers who have been contributing 70% of the agricultural produce in Zimbabwe,
- Cash shortages- the national budget statement failed to boost confidence in how the government is going to address the cash shortage issue both in the medium and long term. Promotion of the use of plastic money and a “cash lite” society will continue. This is against the President’s inaugural speech that the citizens have a right to access their earnings in the form that they so desire and when they need them.
- Ease of doing business and the indigenisation and economic empowerment Act- The move towards ease of doing business should not only be supportive of foreign investors but also local communities and businesses. Citizens should define the kind of investor they want and to take this information (that will influence policy), the Government should conduct public consultative meetings. Relaxing the Indigenisation & Economic Empowerment Act by effecting it to two minerals (diamonds and platinum) needs to be done cautiously as the same Act had a bearing on equitable distribution of resources and the means of production,
- Budget Allocations- though there are improvements in some sectors such as agriculture-9%, there is still an outcry for example health received a paltry 8% of the total budget falling short of the Abuja Declaration threshold of 15%, Education though it was pegged at number 1 in terms of allocations it stands at 17% falling short of the Dakar Declaration commitment of 20%. The allocation to Parliament is also not enough given the task as hand to play their role in the new dispensation. There is also a major challenge in that these allocations are mainly going to be taken up by administration and personnel costs.

In light of the above concerns, ZIMCODD recommends that the government should consider adopting the following;

- In the spirit of walking the talk as expounded in the national budget statement, the government must strengthen monitoring mechanisms to ensure that measures put in place to address the current challenges are implemented. The monitoring mechanisms must be comprehensive and show impact of the measures on people's livelihoods beyond economic growth,
- Re-engagement with the international community and addressing the debt overhang must be premised on an independent debt audit to ascertain the legitimacy of the debt and the conditions and terms of re-engagement must be open to public debate,
- The new economic order must fully outline how the proposed austerity measures will be balanced with commitments to pursuing people centred development,
- On Public Enterprises and Local Authorities reforms- the government must strengthen corporate governance systems and implement recommendations from the OAG's reports to curb mismanagement of public resources. The government must implement socially sensitive restructuring of parastatals,
- Domestic resource mobilisation must be a priority- the government must decisively address the challenge of IFFs and work on adopting the recommendations made by the High Level Panel Report on IFFs in 2014,
- Support to provincial and metropolitan structures as provided in the constitution must be adhered to and resources should be availed to fund the structures,
- Small scale producers and the informal sector must be supported and protected from the vagaries of the market economy,
- The retrogressive tax system which overburdens the citizens must be addressed. The government must strengthen its capacity to collect taxes from corporates and from its non-tax revenue,
- The alignment of the Public Finance Management Act must be expedited and the oversight role of parliament strengthened in public finance management.

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.

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