Breakfree!

NATIONAL POLICY DIALOGUE EDITION
10 NOVEMBER 2020

HAVE YOUR SAY. PARTICIPATE IN THE NATIONAL POLICY DIALOGUE ON:

- TRANSITIONAL STABILISATION PROGRAMME
- 2021 BUDGET STRATEGY PAPER
- NATIONAL DEVELOPMENT STRATEGY 1

WEDNESDAY 11 NOVEMBER 2020, 10:00 - 13:00

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KEY ECONOMIC POLICIES AND TERMS EXPLAINED

TRANSITIONAL STABILISATION PROGRAMME (TSP)

Transitional Stabilisation Programme denotes a policy adopted by the Zimbabwean government in 2018 to transform and stabilise its economy. The (TSP), outlined policies, strategies and projects that guided Zimbabwe`s socio-economic development interventions from October 2018-December 2020. The policy thrust of the TSP was drawn from Vision 2030 which sought to transform Zimbabwe into an Upper-Middle Income Economy by 2030, placing greater emphasis on immediate quick-wins that are aligned to reality and capacity, and establishing a robust foundation for economic growth. TSP focused on fiscal consolidation, budget expenditure control, smart agriculture, human development, digital economy, stimulating production and exports, structural reforms as it pave way for the National Development Strategies first plan (2021-2025). Nonetheless, there is debate in the corridors of academia, citizens and Civil Societies whether TSP was successful or not.

BUDGET STRATEGY PAPER (BSP)

Budget Strategy Paper (BSP) connotes a policy document that projects a synopsis and abridgment of a broad strategic objectives, goals and policy priorities that will determine the formulation of the national budget. The International Monetary Fund noted that, BSP should clarify and specify fiscal policy objectives, identifiable major fiscal risks, macroeconomic framework, as well as the policy basis for the budget. The Zimbabwean 2021 BSP had seven pillars which includes inclusive growth and macro stability, developing and supporting productive value chains, optimising value for natural resources, infrastructure, ITC and the digital economy, human capital development and well-being and effective institutions building, governance and peace. The BSP sought to add to the broader goal of attaining an Upper-Middle Income Economy by 2030.

NATIONAL DEVELOPMENT STRATEGY (NDS) 2021-2025

The National Development Policy (NDP) is also known as the National Development Strategy (NDS). The NDS intends to take over from the TSP and further propel Zimbabwe`s development through various strategies such as poverty reduction and alleviation, human capital development, inclusive growth and macro stability. All these objectives are hinged upon vision 2030. The NDS first phase will run from 2021-2025 establishing robust foundation from the second phase which will run from 2026-2030. The NDS seeks to bolster infrastructure projects which are imperative for the attainment of vision 2030. The NDS will see government channelling funds towards interventions to improve access to clean water and waste water treatment in Harare and other municipalities

AUSTERITY FOR PROSPERITY

Austerity entails a myriad of political-economic policies that primarily intends to reduce government budget deficits through expenditure reduction complemented by tax increases. The concept of austerity for prosperity is not a new phenomenon; it has its roots to the studies of John Stuart Mill a British philosopher in the 19th century. The Zimbabwean government in 2019 adopted an austerity budget; the budget highlighted the need to cut excessive expenditure from the executive, judiciary, legislature and the common man. Senior civil servants from director level to the president were to cut 5% of their wages. Nonetheless, austerity for prosperity has a grave impact on the "common man who bears the burden of elite profligacy". Austerity for prosperity entrenches social and economic injustices and widens the inequality gap.

BUDGET SURPLUS

Budget surplus entails a scenario whereby extra money is left over in a budget after expenses are paid. This project a scenario whereby the government spends more money than it collects in revenue. In simple terms, budget surplus means having more income than expenses during the national finical year. Thus the government will be bringing in more money than it spends. The term budget surplus has been on Zimbabwean newspaper front pages for the last two years generating a lot of controversy and debate. This is because; the government has been obsessed about surpluses instead of economic growth and capacitating vulnerable communities culminating in the deflation of economic growth. Across the global spectrum, there has been debate on what is good between budget surplus or budget deficit; OECD data shows that most European countries have budget deficit except for Norway, Germany, Sweden and Switzerland. Nonetheless, in Keynesian economic theory, governments are encouraged to run a surplus budget during economic growth so as to use the savings in a bed year.

BUDGET DEFICIT

This is when government spending exceeds income. It denotes the sum of revenue account deficit and capital account deficit. "If revenue expenses of the government exceed revenue receipts, it results in revenue account deficit. In the same manner if capital disbursement of the government exceeds capital receipts, it leads to capital account deficit". Rakauskiene argued that, there are two types of budget deficits:

active and passive. "Active budget deficit can be recognised when public expenditures are above public income whereas passive budget deficit can be seen when taxes are not collected due to economic growth decrease, public debt is not honoured, taxes privileges." Budget deficit is the annual amount government borrow; the Zimbabwean government usually finance the budget deficit by selling bonds to the private sector. The libertarian and free-market economist believes that budget deficits have a detrimental effect on the economy which includes higher interest rate, future tax rises, inflation and crowding out of the private sector. Nevertheless, Keynesian economists are of the view that, in an economic downturn budget deficits play an imperative role in unemployment reduction and stabilising the economy. Zimbabwean budget deficit has been largely due to unnecessary expenditure, illicit financial flows, economy of affection which are all aimed at promoting the self-aggrandizement of the elite.

KEYNESIAN BUDGET

The Keynesian budget and school of thought brought a new dimension in the field of economics. In 1936, John Maynard Keynes, a British Economist in his book, "The General Theory of Employment, Interest and Money", proposed a new theory to analyse the economy. Keynes suggested that low aggregate demand was accountable for high unemployment and low income that pigeonholed economic downturn. Keynes credited the quagmires of under-spending or under-consumption as the major drivers of unemployment. Consequently, the under-consumption paradigm dominated the thinking of many mainstream economists from 1930s -1970s. Proponents of the demand side or under-spending thinking established that, "unemployment is a consequence of inadequate or low aggregate demand for goods and services; and if the spending level and consequently, the demand level increases, employers of labour will hire more workers. " Keynesian budget, therefore, supports budget deficits by increasing government expenditure, reducing taxes culminating in the adduced that market solution would be ineffectual since, wages and price mechanisms that have to respond to the existence of unemployment do not adjust with adequate speed or effectively. In this regard, the Keynesian budget sees budget expenditure as a catalyst of growth and development, as government expenditure creates opportunities for growth and employment.

BALANCED BUDGET

This is a budget whereby the revenues are equal to expenditures. This means there is neither budget deficit or budget surplus. A budget is considered balanced after a full year of revenues and expenses have been incurred, recorded and examined. A balanced budget is a situation where total revenues are equal to or greater than total expenses. The budget may be balanced in two ways: through increase in tax rates or tax base broadening and also through decrease in public spending levels. Many nations across the globe strive to attain a balanced budget. Balanced budgets are expedient as they enable governments to increase spending and lower taxes in good times and force cut backs during recessions. Nonetheless, a balanced budget also has its own demerits, it is not effective in times of crises, pandemics and wars, it is difficult to maintain in a developing country.

2021 PRE-BUDGET SEMINAR POSTPONED TO 19 – 20 NOVEMBER

Parliament last week postponed the much-awaited Pre-Budget Seminar to allow for Treasury to finalise the drafting of the National Development Strategy 1, the Clerk of Parliament Mr Kennedy Chokuda has announced. Government is set introduce the NDS1 as the successor economic blueprint to the Transitional Stabilisation Programme which comes to an end in December.

The NDS1 will is expected to be the implementation tool for 2021 national budget.

In a statement, Mr Chokuda said the rescheduled indaba will now be held between 19 and 21 November.

"The Clerk of Parliament, Mr. K. M. Chokuda wishes to advise of the postponement of the 2021 Pre-budget Seminar initially scheduled for from 5-7 November 2020 at Rainbow Towers Hotel to 19-21 November 2020.

"The difficult decision to postpone the seminar has been made after considering the need to allow finalization of the process of crafting the first National Development Strategy (2021-2025) which the 2021 budget is the first implementation tool.

"Parliament apologizes for the inconvenience that might result from this change."

Previewing the NDS in a recent article in a local paper, Finance Minister Mthuli Ncube said the programme will build on the TSP.

"Moving forward, the NDS will build with a particular focusing on inclusive growth and macro-stability; developing and supporting productive value chains; optimising value in our natural resources; investing in infrastructure, ICTs and the digital economy; developing human capital and well-being; building effective institutions and governance; as well as stepping up our international engagement and re-engagement.

"We will continue to invest smartly with capital development expenditures targeted at 4.5 percent of GDP annually, while saving where we can.

"The wage bill must be kept below 50 percent of total expenditure, while on the revenue side, tax collection systems will continue to be digitalised, with revenue leakages sealed and tax incentives streamlined."

He said the programme will seek to engender equal and universal access to education and health care, social protection programmes.

"Mining will as always remain a leading sector in sustaining high and holistic growth, and we have set a US$12 billion mining industry target by 2023, with new market based policies bringing an unprecedented level of transparency to the field.

"State-owned enterprises, in desperate need of reform for far too long, will be reformed and restructured.

"This is a long and complex process, and we must be careful not to make the same mistakes other countries have made when privatising, liberalising and reforming.

"It is crucial that the process is transparent, fair and efficient. Above all, we will look to stimulate job creation wherever we can, with a particular emphasis on youth and women."

CIVIL SERVANTS SPEAK ON TRANSITIONAL STABILISATION PROGRAMME

Public sector workers believe that economic reforms introduced by Government under the Transitional Stabilisation Programme have done little to improve the working conditions of workers despite bringing relative economic stability.

The TSP was introduced in was introduced in October 2018 with a view to set the economy on a recovery path after years of stagnation.

The programme introduced harsh austerity measures including the unpopular Intermediated Money Transfer Tax which imposed a 2 percent tax on all electronic transactions.

Currency volatility also diminished workers' incomes with most government workers currently earning below the Poverty Datum line, which stood at $17 957 in September, according to the Zimbabwe National Statistics Agency (Zimstat).

PDL measures the basic needs for an average family of five.

Public sector worker representatives said the currency and price stability currently obtaining in the economy count for little when workers are earning poor salaries. Apex Council secretary general Mr David Dzatsunga said only business has benefitted from the stability.

The Apex Council is Zimbabwe's civil servant representative body.

"Government does speak a lot about having stabilised the economy particularly the local currency and the prices," said Mr Dzatsunga.

"Our view as labour is that the much-touted stabilisation has only benefitted business at the expense of the worker.

"It seems like the working class is bearing the burden of the stabilisation programme.

"We say this because the workers in this economy are earning wages way below the poverty datum line and we are really actually poor.

"Workers are barely keeping their heads above the water.

"Therefore the stabilisation, while visible for business and while government insists that it has made some progress, is really not evident when it comes to the working class."

Contributing during a debate on ZTN television hosted by the Zimbabwe Coalition on Debt and Development recently Zimbabwe Teacher Association chief executive Mr Sifiso Ndlovu the TSP failed to deliver legislative reforms to bring harmony between

government and its employees.

"The TSP is a programme that has worked under the circumstances, particularly in trying to bring about sanity in the economy of our country," said Mr Ndlovu.

"This is an economy that is not being supported by offshore resources, so we had to do what we needed to do and that is to stabilise our economy using whatever resources we have here.

"That is as far as it has done. "But I must remark that there were missed opportunities during the TSP particularly when I look at the social services cluster.

"Here I am looking at the issue that has to do with the legislative reforms in the civil service we have not seen much movement in that area. "And that is going to create a problem for us because the social dialogue processes have not been put into perspective. "So they have not been aligned with the thrust that the TSP is trying to bring and they have not been aligned again with the amended constitution of the land.

"So that is missed opportunity

"This is why we currently now seeing a lot of industrial disharmony in the civil service because we have missed that opportunity to align our social dialogue processes."

TAX EVASION AND ILLICIT FINANCIAL FLOW BLEEDING ZIM- MTHULI

Tax evasion and illicit financial flows continue to bleed Zimbabwe's economy and the National Development Strategy (2021-2025) will have to deal with the vices as part of efforts to steer the country's economy, Parliament has been told.

Finance and Economic Development Minister Professor Mthuli Ncube told the National Assembly this week that financial flows through transfer pricing has plagued not only the country but the African continent which has been prejudiced to the tune of US$60 billion per annum.

Magwegwe MP Anele Ndebele had asked Prof Ncube in the National Assembly the Government's debt containment strategy in terms of the Public Finance Management Act and its policy regarding the arduous debt.

Prof Ncube said Zimbabwe was not the only country saddled by the arduous debt arising from illicit outflows due to transfer pricing.

He said an African Union report compiled by former South African president Thabo Mbeki indicated that the continent was losing billions hence the need to effectively to enforce money laundering laws.

"Madam Speaker, other things are not easy because it has been shown that some of the leakages in these illicit flows arise from things such as - you know when companies invest in a country you find a foreign investor who will set up a subsidiary in an offshore tax free entity and over here, they register a company and then you find that the offshore entity then extends a loan to the local company. Then what happens is that the local company has to service the interest on the loan from the mother entity before they declare any profits and so forth. So, they end up not paying taxes domestically and continuously service this loan because interest payments are tax deductible," said Prof Ncube.

"So, we are aware of those tricks, companies use those tricks everywhere and it is not easy to deal with because within the law it is allowed. Within the accounting rules that is allowed but nevertheless it prejudices the country. Madam Speaker, one thing to do over time is to make sure that foreign companies form joint ventures with local companies."

Transfer prices are used when individual entities of a larger multi-entity firm are treated and measured as separately run entities. It is common for multi-entity corporations to be consolidated on a financial reporting basis; however, they may report each entity separately for tax purposes.

Hatfield MP Tapiwa Mashakada asked if Government was sticking to the Lima Process or whether they have also considered the Heavily Indebted Poor Countries route to lessen the country's debt.

In response, Prof Ncube said Government had adjusted the Lima Process for a number of reasons.

"First of all the Lima Process involved specific country and I do not know whether I am allowed to mention it because I do not know whether that country's involvement was official or not, back then. There was a country which had large amount of resources

that was willing to assist us in the bridge financing for the shortfall of the African Development Bank and the World Bank arrears. That country then fell by the wayside for various reasons, so we have adjusted in the sense that we are speaking to other potential sources of funding that can assist with that bridge funding including specific financial institutions in the commercial sector," he said.

"Also, I said we are adjusting the Lima Process, we are also still looking at the issue of talking to the creditors as well in the first place. The trouble of going the route of commercial source for bridge loan is that it blocks the second stage of the debt resolution process which is the Paris Club negotiations because all creditors do not have to rank pari passu, and even the commercial lenders have to take a haircut under the Paris Club and they were never willing to do that. So it gives challenges in the second phase, so sometimes it is better to try to go through the route of the Paris Club Creditors in the first place. So we have kept that channel also opened."

On the HIPPIC route, Prof Ncube said Zimbabwe did not qualify because it was not regarded as a poor country.

"We have looked into it and the response that we have received so far is that you as Zimbabweans are not exactly a low-income country because this route is available to those that are officially designated as low-income countries in terms of the Gross National Income per capita. As you are classified as lower middle-income country – that has been expressed. We believe that route maybe closed but we have to keep trying to make sure that we find right path to resolving our arrears clearance and to keep our debt in check."

He said one of the measures to contain debt was to ensure fiscal discipline. "For the debt that we already owe externally, we have resumed now our token payments after the pronouncement of the G-20. We want to make sure that we start honouring those debts and eventually we will get back to dealing with the IFI debt of the World Bank and the African Development Bank before we proceed to a bilateral debt," he said.

Last month, Prof Ncube launched a 2021 Budget Strategy Paper under the theme: "Building Resilience and Economic Recovery post Covid-19". The document is expected to guide wider consultations on the upcoming 2021 National Budget.

The 2021 Budget Strategy Paper marks the switch from the Transitional Stabilisation Programme, which is coming to an end this December, to the First National Development Strategy (2021-2025).

Zimbabwe is currently saddled with a huge debt overhang accrued from both public and private sector borrowing. The Zimbabwe Coalition on Debt and Development (ZIMCODD) contends that Zimbabwe urgently requires a sustainable debt management Framework to help Zimbabwe address the country's debt challenge. In ZIMCODD's view such a framework must be preceded by a Parliament led national debt audit to ascertain the scale and dynamics of Zimbabwe's debt overhang.

ZIMCODD is currently running the #Drop the Debt Now Campaign urging debt cancellation for Zimbabwe.

PEOPLE-LED BUDGET CAMPAIGN

DEMAND 1

A budget to unlock the power of Government spending in order to secure the future, help Zimbabweans recover from the impacts of the Covid-19 pandemic, grow the economy, create decent jobs and protect the vulnerable - particularly the elderly and people with disabilities.

DEMAND 3

A budget to eliminate gender-based inequalities and empower women and young girls by increasing support towards the Victim Friendly Unit and other gender responsive public services; providing capital and ring-fenced public tenders for female entrepreneurs; facilitating women and young girls' participation in the 12 Billion Mining industry and strategic gender sensitive capital expenditure to expand women and girls' equitable access to water and sanitation, renewable energy, legal justice, health and education services.

DEMAND 5

A budget to provide economic stimulus to Small and Medium Enterprises and the Informal Economy through inclusive financing and income substitution to help local SMEs, Smallholder Farmers, Transport Operators, Vendors, Cross-border Traders, Artisanal Miners and various trades in the informal economy to recover from income losses incurred during the lockdown period.

PILLAR 6

A budget to free Zimbabwe from debt bondage through a sustainable public debt management framework and concrete measures to protect Zimbabwean households from unfair, abusive and predatory lending practices by private lenders.

WE URGE OUR PARLIAMENTARIANS TO REPRESENT OUR VOICES AND DESIRE FOR A PEOPLE-LED 2021 NATIONAL BUDGET.

WE WANT ...

DEMAND 8

A budget to enhance domestic resource mobilisation and operationalise the Sovereign Wealth Fund committed to in 2014 through an Act of Parliament by ensuring that all Zimbabweans especially wealthy individuals and Corporate bodies pay their fair share of taxes through the introduction of a Wealth Tax; and increased support for Parliamentary oversight over all tax incentives and mega-deals with foreign investors and mining companies.

PILLAR 7

A budget to devolve economic power and authority, reform the Public Sector and give Zimbabwean Civil Servants fair remuneration and a dignified standard of living.

DEMAND 2

A budget to give the children and youth of Zimbabwe a chance to make it in life, through a Universal Basic Income Support Grant; free Early Childhood Development in rural and peri-urban areas; school feeding programmes in all food insecure areas, free menstrual hygiene products for secondary school girls and grants for students in University and Tertiary Education Institutions.

DEMAND 4

A budget to safeguard the nation's health by urgently addressing medical professionals' legitimate concerns and spending at least 15% of the total budget to improve public health service delivery with an emphasis on establishing a Universal Health Insurance Scheme, strengthening primary health care and enhancing existing public health facilities' capacity to cope with the Covid -19 pandemic, sexual reproductive health, malaria, cancer, TB, cholera, typhoid, mental health and other critical health challenges today.

DEMAND 9

A budget to recognise and incentivise the contributions of Zimbabweans in the diaspora by facilitating their inclusion and participation in key democratic decision-making, electoral, investment and cultural initiatives using digital and other innovative mechanisms.

DEMAND 10

A budget to strengthen democratic oversight and constitutional safeguards against the looting of national resources rampant through tax evasion, rent seeking behaviour, public tender corruption, illicit financial flows, the selling off of mines and other strategic assets on terms detrimental to the national interest; the privatisation of public services and the mortgaging of national assets in debt deals without adequate regulation, legislative scrutiny, popular consent, and due concern for the sustainability of our environment.

ECONOMIC STABILISATION MEASURES QUESTIONED

BREAKFREE REPORTER.

Opposition leaders have questioned the efficacy of economic stabilisation measures introduced by government under the Transitional Stabilisation Programme (TSP), saying the interventions have not had the desired impact.

The TSP was introduced in was introduced in October 2018 with a view to set the economy on a recovery path after years of stagnation.

The short-term programme was introduced in order to stabilise the macro-economy, and the financial sector; introduce policy and institutional reforms to translate to a private sector-led economy; address infrastructure gaps, and launch quick-wins to stimulate growth.

The programme comes to a close at the end of the year and will be succeeded by the National Development Strategy 1.

Speaking separately, opposition leaders said interventions under the TSP have driven poor citizens deeper into poverty.

Contributing during a debate on ZTN television hosted by the Zimbabwe Coalition on Debt and Development, MDC-Alliance vice president and former Finance Minister Tendai Biti said the TSP had brought back hyperinflation.

He questioned government's claims that the programme had been a success.

"The problem is the minute one begins to claim success of what he or she has done there is a problem," said Biti.

"Let others give you what is called third party endorsement; because the economy is one thing you cannot make a misrepresentation about because it speaks for itself."

He said prices of basics continue to skyrocket.

"As I am talking to you right now the price of electricity has just gone up by 50 percent, which is over and above the 100 percent that electricity went up by six week ago.

"The price of tollgates has just gone up by some ridiculous amount of 170 percent.

"I was in a butchery over the weekend, there was beef being sold for US$11 (a kg).

"So your ordinary average person in Dzivaresekwa, in Dotito or in Chiendambuya will tell you that since the TSP, since this new government came into office, and since (Minister of Finance) Mthuli Ncube assumed office on the 7th of September 2018, my life has been devalued and I am suffering more and more."

He said workers' incomes had been eroded, condemning most into poverty.

"The average teacher was earning around US$500 per month in 2013, right now an average teacher is earning US$20.

"Schools opened two months ago but there are no teachers.

"Nurses are on strike and doctors are on strike and that is the true state of our economy and not what the government is claiming."

Contributing in Parliament to debate on President Emmerson Mnangagwa's recent State of the Nation Address, former Economic Planning Minister and MDC-T legislator Dr Tapiwa Mashakada was scathing in his assessment of government's economic policies.

Dr Mashakada said while government had reduced its budget deficit, this has not translated into better livelihoods for citizens.

"Madam Speaker, I now come to the Transitional Stabilisation Programme and I must explain this very clear and explain what stabilisation means because a lot of people are saying things are now stable but we have to ensure it is a qualified stability," said Dr Mashakda.

"If I was an auditor I would issue a qualified opinion on the economic stability.

"Why am I saying we must qualify the stability that is often founded about? "When we talk of macro-economic stability, we are looking at four things; budget deficit, inflation, GDP growth and the exchange rate.

"Now, we are celebrating stability because Government managed to reduce the budget deficit, fair and fine.

"We need to balance our books but like I said, we have to qualify this balance.

"You cannot celebrate a surplus amidst poverty, joblessness, when hospitals have no drugs, nurses are on strike, doctors are not adequately paid, teachers are not going to work and the children are out of school.

"These are qualitative socio-economic issues that you have to balance, not just the matrix because development is not about just matrix or number crunching.

"It is also about what is behind those numbers in terms of the quality of life of the people.

He said balancing the books has come at a huge socio-economic and humanitarian cost.

Government, said Dr Mashakada, must place people at the centre of its development programmes.

"The second indicator of stability in the TSP is the inflation.

"I hear everyone saying prices have stabilised and so on.

"Madam Speaker, I must put it on record that Zimbabwe's inflation is hyper-inflation.

"So, we cannot celebrate stabilising at a hyper-inflationary level and what do I mean by hyper-inflation?

"According to international financial statistics and definitions, any rate of inflation which is above 50% is called hyperinflation.

"So, when our inflation is still in the region of 400/430%, we are over and above 50%."

He said the negative growth rate being experienced was an indicator that all is not well.

"You cannot have stability when the economy is registering a negative growth rate.

"If there is no productivity in agriculture, mining, manufacturing and even tourism, it means you are not able to grow the cake.

"The cake is growing a negative rate.

"Therefore, it is compromising your ability to provide for the nation because you cannot collect enough revenue from a shrinking economic base.

"Whereas you can say the deficit is alright or inflation is stabilised, but the economy is not growing and growth is the basis for sustainable macro-economic stability. Let us grow the economy. Let us attract FDI.

"Let us promote domestic investment. Let us do everything in our power to make sure that the economy is ticking – it grows."

BUSINESS DEMANDS TRANSPARENCY ON STIMULUS PACKAGE

Government's stimulus package to deal with the effects of Covid-19 and the national lockdown must be distributed transparently so that it is directed to intended beneficiaries, business leaders have said.

In an interview this week, Employers Confederation of Zimbabwe president, Dr Israel Murefu said Government's 2021 national budget and its economic blue prints such as Budget Strategy Paper and National Development Strategy (2021-2025) should provide incentives for business such as tax reliefs in order to create employment, given the Covid-19 induced massive job losses.

Last month, Prof Ncube launched a 2021 Budget Strategy Paper under the theme: "Building Resilience and Economic Recovery post Covid-19".

The document is expected to guide wider consultations on the upcoming 2021 National Budget.

The 2021 Budget Strategy Paper marks the switch from the Transitional Stabilisation Programme, which is coming to an end this December, to the First National Development Strategy (2021-2025).

"We expect the $18 billion bailout stimulus package to be distributed in a transparent manner so that intended beneficiaries are the one to benefit and the necessary concessions in terms of lending must be availed. We also expect incentives which promote employment creation given the job losses occasioned by covid19 and its attendant lock downs. This will enable companies to consider rehiring laid off staff who were bore the brunt of Covid-19 by being retrenched," said Dr Murefu.

Businesses intending to access funds under the Government's stimulus package to deal with the effects of Covid-19 and the lockdown have been directed to approach their own banks, that will be administering the loan packages under normal banking rules.

The banks in turn are expected to act with due diligence, know their customers, monitor use of the money, ensure loans are repaid and share the risks with the Government that will provide guarantees, according to a directive from the Ministry of Finance and Economic Development.

The involvement of banks is meant to stem possible corruption and inefficiencies.

Turning to the 2021 national budget, Dr Murefu said there was need for fiscal policies that ensure that business recovered from the effects of Covid-19.

"We expect that government will provide tax relief or concessions to businesses especially

the 2% transaction tax which tends to increase costs for business. We also expect government to collect taxes in RTGS and not in foreign currency in order to enable the release of foreign currency held by corporates as they would have to liquidate or sell the hard currency in order to raise the tax in RTGS. This will enhance forex availability through those liquidations.

He said business expected comprehensive measures to be taken to enable economic turnaround and consequently business recovery so as to mitigate the damage caused by covid19.

On debt acquisition and containment measures, Dr Murefu said as business, they felt that it must be done in a transparent manner so that stakeholders know what the debt is supposed to achieve.

“We also need to ensure that the level of national debt is sustainable and within levels that our resources can carry to avoid burdening future generations with debt levels they may not be able to carry. The budget and the mooted national strategic plan must be able to address the dilapidation of national infrastructure which increases the cost of doing business. It must also address issues of macro economic stability so that there is reduced volatility in our markets and economy. We also expect policy consistency to enable business planning and the management of costs which if not contained could threaten the survival of businesses,” said Dr Murefu.

Zimbabwe Congress of Trade Unions secretary general Japhet Moyo said the 2021 national budget should reflect the aspirations of the people.

He said there feared that what Parliament’s portfolio committee on Budget and Finance might have gathered from people might not be captured in the final document.

“Budget formulation and presentation should be a strategy paper which commits to provide and address economic issues which will ultimately deal with the fiscal crisis. As labour we do not believe that the NDS which is going to replace TSP is bound to fail because its conception was not inclusive. They used a top to bottom approach. Besides it’s based on a completely wrong context and assumption it would not address the structural issues that we have,” said Moyo.

“Once we run with the mantra that “we are under sanctions “ instead of accepting our failures then the solution is missed. Therefore the diagnosis of our challenges should be honest and to the point. As workers we want a budget that attend infrastructure, industry, agriculture, social services because that is where people depend on. We want a budget that supports the creation of decent work,” said Moyo.

INCREASE OPPORTUNITIES FOR YOUTH PARTICIPATION IN ECONOMY – ZYC

BREAKFREE REPORTER.

The Zimbabwe Youth Council (ZYC) says the 2021 national budget should increase opportunities of youth participation in the economy and access to project finance.

ZYC acting director Mr Cephas Nyoni said despite constituting an overwhelming majority of the country's population, youths have for long been side-lined from economic participation.

"The youth of Zimbabwe constitutes more than 60 percent of the population; however, this constituency is characterized by high unemployment rate," said Nyoni.

"As the ZYC we have consulted the youths on the 2012 budget and their expectations for NDS1.

"Youth participation and increased access to empowerment are some issues that have been raised by youths across the country."Mr Nyoni said the ZYC was doing research on various issues that are affecting the youths which will also be presented to policy makers so that it can be incorporated into NDS1.

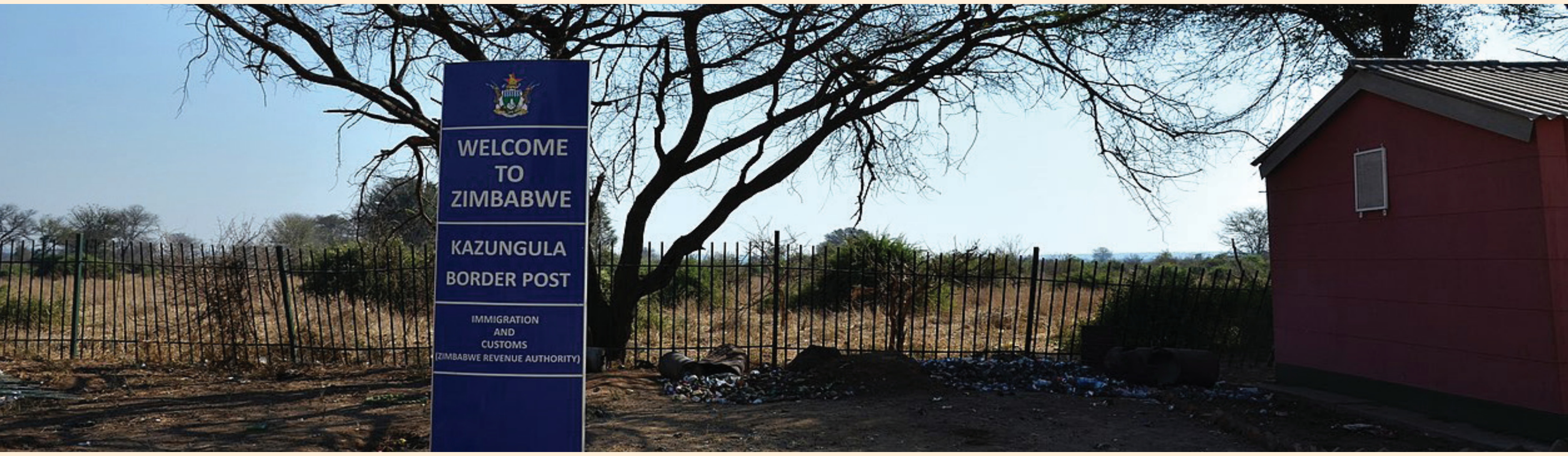
"The research is basically on the economic development of the youth and how many youths are employed, the number of youths with businesses and their contribution to development of the country," he added.

"You will also remember that we had the youth relief fund were around 5000 applied we later discovered that only 20 percent of these had registered companies.

"So as ZYC we approached the registrar of companies for formalization drive and we have a Memorandum of Understanding (MOU) with them so we are now helping them to formally register companies so that they can benefit from the fund."

Recently Government availed a $17 million youth relief fund which has largely not been disbursed.

Government, through the Ministry of Youth, Arts and Sports Recreation launched the fund, with the aim of assisting youth entrepreneurs and associations affected by the Covid-19 pandemic. Beneficiaries are set to receive between $3 000 and $5 000 each.Priority was set to be given to youth organisations engaged in the manufacturing and distribution of personal protective equipment (PPE) and those conducting public awareness campaigns on the pandemic.



TOUGH CONDITIONS SET FOR KAZUNGULA BORDER POST RE-OPENING

BREAKFREE REPORTER.

Botswana and Zambia has set tough conditions for Zimbabwe to rejoin Kazungula border post, a development that will impede Harare's quest for enhanced intra-regional trade and commerce within SADC and beyond.

Kazungula bridge currently provides a one-stop-border-post facilities between Zambia and Botswana and the tough conditions will prejudice Zimbabwe of millions of United States dollars in lost business opportunities.

The initial plan was to have Zimbabwe, Botswana and Zambia establish a one stop border post so as to enhance regional trade, integration and spur global competitiveness but Harare failed to come on board owing to frosty relations between Zimbabwe and its two neighbouring countries over the specific boundary and site of the bridge.

The political uneasiness between Zimbabwe and Botswana during President Mugabe's era also affected cooperation on the project and President Mnangagwa had sought to rejoin the plan given the economic benefits.

Once complete, the bridge is expected not only boost trade and commerce, but further enhance the economic activities and prospects of other land-locked countries such as Malawi, Namibia, Mozambique and Democratic Republic of Congo.

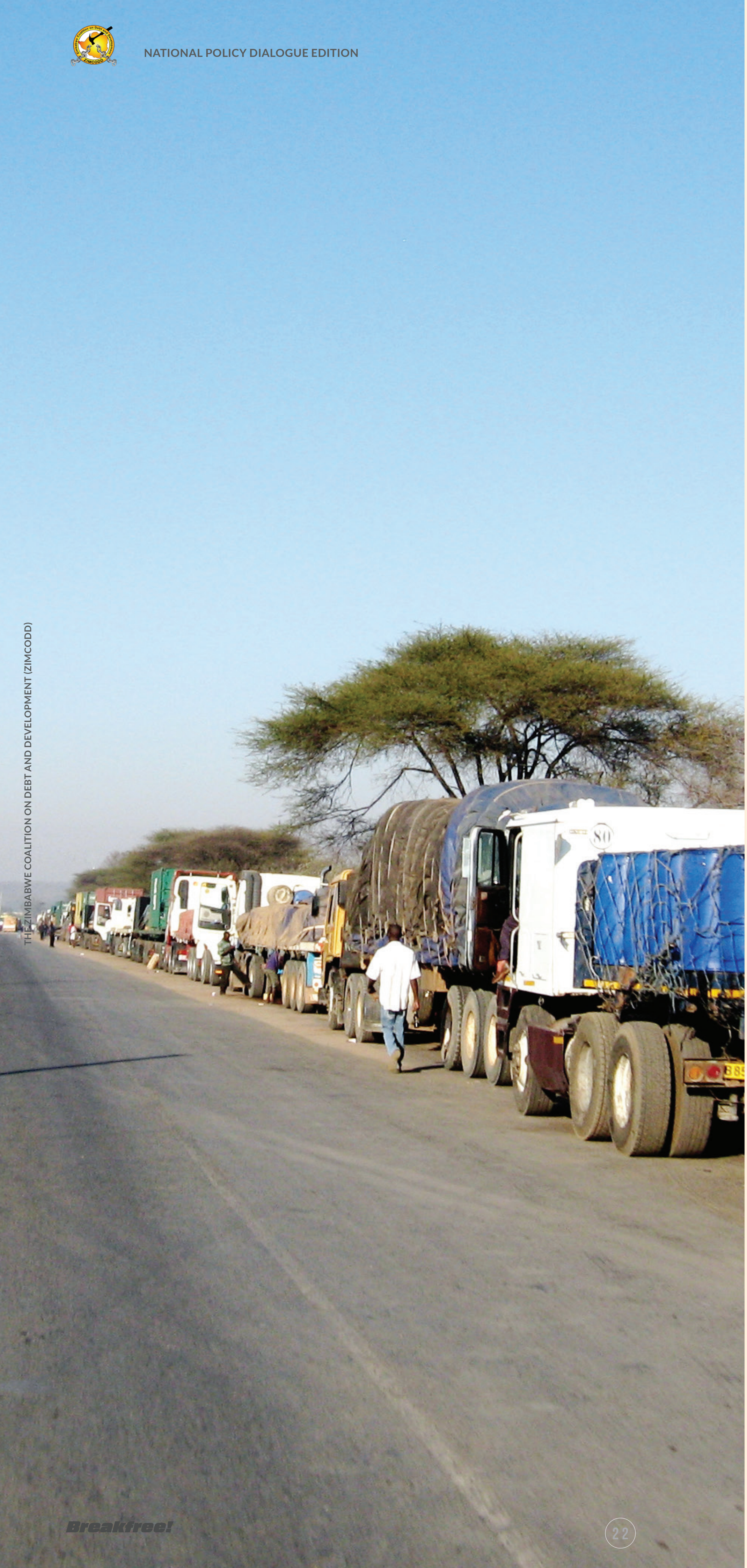
Tourists who come to Zimbabwe would have passed through South Africa and Botswana as Victoria Falls remained the biggest tourist attraction regionally and internationally.

Transport and Infrastructure Development Permanent Secretary Engineer Amos Marawa told legislators this week that Botswana and Zambia had indicated that Zimbabwe should fund the feasibility studies to bring it on board mid-way and also bear the cost of all modifications in all the three countries that would be required to have it accommodated.

Eng Marawa said the two countries had also told Zimbabwe that they could not bring a new consulting firm for the intended work but had to use the one that had been there.

The Permanent Secretary made the revelations this week when he appeared before Parliament's portfolio committee on Transport and Infrastructural Development chaired by Shamva South MP Oscar Gorerino.

"Zambia and Botswana have created a one border post and initially Zimbabwe was included for reasons beyond us, Zimbabwe pulled out and Zambia and Botswana concluded a deal that was a two-member border post. With efforts, Zimbabwe was allowed to rejoin and we are in the process at a technical level discussing with our counterparts. We now want to change the two-country system into a three-country system, and we have rejoined when others have advanced into their program and there are almost commissioning this year," said Marawa.



"The condition is that they will continue with their project, we will then come at our cost, fund the feasibility studies which says how do you change a two-country border post into a three-country border post. First thing is you also need to construct in Zimbabwe the physical infrastructure linked to the other facilities in Botswana and Zambia through the bridge, the traffic circulation and regulation and everything has to change and we are now in the process of doing that study and Treasury has promised funding to that effect. There is also another condition because the consultancy who is supervising that project who has designed the traffic flow, regulations and legislation processes has now to modify that including the facilities that came to Zimbabwe. So, we have been asked to engage the same contractor instead of bringing somebody who has to study everything from scratch."

He said Government had in principle accepted the conditions and was now mobilizing resources.

"We believe we would need a crash program. The others have continued to operate as if there are going to work as two but there are happy. At our cost we will modify the building so that it will be turned into three border post," said Marawa.

In 2018, President Mnangagwa toured the Kazungula Bridge alongside President Dr Mokgweetsi Masisi (Botswana), President Edgar Lungu (Zambia) and President Hage Geingob (Namibia).

The one stop border post is also expected to enhance efficiency in catering for the increasing tourist and cargo volumes.

Besides the obvious economic benefits to be accrued through easy passage of freight and passengers, Zimbabwe's coming on board is part of President Mnangagwa administration's broader vision of embracing intra-regional trade and maintaining cordial relations with neighboring countries.

Zambia and Botswana concluded a joint US$300 million venture to build a 920-metre rail and road bridge at Kasane.

The site where the bridge is being constructed is a unique historical and geographical phenomenon.

ZIMBABWE COALITION ON DEBT AND DEVELOPMENT

Investing in people for social and economic justice

Who We Are

The Zimbabwe Coalition on Debt and Development (ZIMCODD) is a socio – economic justice coalition established in February 2000. Its mandate has been to facilitate citizens` involvement in making pro-people public policy. ZIMCODD views indebtedness, the unfair global trade regime and lack of democratic people-centred economic governance as root causes of the social and 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; and
- To develop a national coalition and facilitate the building of a vibrant movement for social and economic justice.

Where We Work

ZIMCODD`s headquarters are in Harare, with regional offices in Bulawayo. There are committees and livelihoods assemblies in Mutare, Chipinge South (Checheche), Goromonzi, Binga, Gokwe, Gwanda and Matobo.

ZIMCODD is a member of regional and international networks working on Social and Economic Justice. In the SADC region, it is the Host of the Permanent Secretariat of the of the Southern African People`s Solidarity Network (SAPSN) from January 2019, whose focus is to support the development of alternatives to neoliberal corporate led globalization, with a negative impact on national and regional policies. ZIMCODD had once hosted this vibrant regional network from 2003 – 2011 before handing it over to Malawi on the rotational secretariat basis. Currently it is host to the Zimbabwe Social Forum (ZSF) and through this platform, ZIMCODD aims to develop a vibrant space for reflective thinking, democratic debate, formulation and exchange of alternative ideas to the neoliberal agenda in Zimbabwe and beyond.

Our Goal

The goal of the ZIMCODD 2020-2023 Strategic period is
"To contribute towards sustainable social and economic justice in Zimbabwe"

Our Vision

Socio-economic justice in Zimbabwe anchored on a vibrant people-based movement

Why We Exist

To take action against the debt burden and socioeconomic injustices through movement building and alternative policy formulation.

Thematic Focus Areas

The thrust of ZIMCODD's work is to address social inequality and ensure shared economic prosperity for every Zimbabwean. It does so through the following thematic areas:

i. Domestic Resource Mobilisation (DRM)- This thematic area emerges from a realisation of the importance of domestic resources for driving sustainable development.

ii. Public Resource Management (PRM)- There is a growing realisation of the need to promote prudent stewardship of public resources as an enabler of social and economic justice.

iii. Trade Justice and Livelihoods (TJL)- This thematic area ensures that ZIMCODD remains rooted in the issues and struggles of the grassroots.

iv. Organisational Development (OD)- This thematic area acknowledges that Successful delivery of objectives outlined in the strategic plan (2020-2023) will depend on the strength and suitability of the organisational structure.

WITH MANY THANKS TO OUR PARTNERS

OXFAM

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