Zimbabwe Coalition On Debt And Development
ZIMCODD

Towards a Prosperous and Empowered Upper Middle-Income Society by 2030

An economic justice and effective public finance management analysis of the National Development Strategy 1 (NDS1)

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1.0 Introduction

The Government of Zimbabwe through the Ministry of Finance and Economic Development (MoFED) launched a new economic blue print, the National Development Strategy 1 (NDS1) on the 16th of November 2020 – setting a new development path for the country. The NDS1 is set to guide government policy for the period 2021-2025 whilst aligning with Vision 2030's aspiration and theme, "Towards a Prosperous and Empowered Upper Middle- Income Society by 2030." The ten successive years between 2021 and 2030 consists of NDS1 (2021-2025) and NDS2 (2026- 2030) with NDS1 taking over from the TSP which was designed to reform and prepare the economy for a protracted period of sustainable inclusive growth congruent with the United Nations' Sustainable Development Goals (SDGs) and the African Union's Agenda 2063. The NDS1 is expected to capitalize on the supposed gains of the Transitional Stabilization Programme (TSP) (2018-2020). Guided by the tenets of economic justice and effective public finance management, this paper analyzes the NDS1 focusing mainly on:

I) The striking details of NDS1;
ii) Key developmental imperatives versus the NDS1;
iii) NDS1 and effective public finance management;
iv) NDS1 gaps and strength, and
v) The conclusions.

2.0 The National Development Strategy 1: The striking details

The NDS1 is seemingly a major break-away from prior economic policies that were characterized by policy trajectories deficient of defined monitoring and evaluation tools and, complementary reforms.[3] Accordingly, the NDS1 seeks to synchronize policies supportive of the aspirations of a transformative and inclusive development agenda leading to the attainment of Vision 2030. However, the catchy economic aspirations defined by NDS1 are being pronounced under gloomy economic conditions that do not guarantee the attainment of the same.[4] Also, the TSP – a fundamental building block of NDS1, missed most of its developmental goals, making it a fallacy to pin the success of NDS1 on a failed blueprint.

The NDS1 observes four principles: adopting a bold transformative stance towards the attainment of Vision 2030, institutional reforms and capacitation designed to accommodate transformative growth, strategic exploitation of Zimbabwe's natural resources and skills, and adopting corporate governance to instill transparency and fair distribution of the fruits of a growing transformative economy. Guided by these principles, the NDS1 aims to stabilize macro-economic fundamentals, pursue inclusive growth, prioritize fresh enterprise development and job creation, boost social infrastructure and social safety nets, protect the environment, and endorse corporate governance and to modernize the economy through adopting ICTs.[5] The fact that NDS1 replicates some TSP pillars (institutional reforms and capacitation) suggests not only miniature TSP achievements but the likelihood of a delay in NDS1's progression towards set goals as new reforms have to be crafted and implemented. Notably, NDS1 principles only make a good reading as the government violates some of the principles. For instance, the militarization of mineral exploitation violates the strategic exploitation of minerals, cultivates corruption and perpetuates the unfair distribution of national resources. Accordingly, the attainment of NDS1 goals requires strict alignment to shared values, adhering to rule of law and promoting equitable access to economic resources. Also, the modernization of the economy has been on the cards for long thus the inclusion of ICTs in NDS1 questions the sincerity of government in embracing ICTs.

The major success axioms of the NDS1 are pinned on the recovery of the global economy from COVID-19,[6] enhanced certainty and confidence through strengthening macroeconomic stability, timeous resourcing of NDS1 projects, investment in infrastructure to spur productivity, improving the ease of doing business environment for a private sector-led economy and adopting change management meant to upscale public sector accountability. However, whereas government alleges macroeconomic stability, it hiked fees and charges for its services – confirming the inflationary pressure on the ZWL given the falsified exchange rate on the foreign currency auction market. Government has also failed to convince the business sector to observe the official exchange rate as prices have continued to increase in line with the parallel market rate. The NDS1 ought to adopt deft economic policies to foster macro-economic stability, uproot currency distortions and propagate confidence in the economy. The inclusion of youths, gender and employment creation in NDS1 is a recycling of old policy nuances that turned political.

[2] The goals of Agenda 2063 are linked to the goals of the United Nations' SDGs as availed at:https://au.int/agenda2063/sdgs

[3] The NDS1 adopts an Integrated Results Based Management (IRBM) system and Public Sector Reforms (PSR) commensurate with the NDS1 objectives.

[4] The economy recorded a recession in 2019 and 2020 and the macro-economy is unstable to warrant growth capable of transforming the economy with the

[5] The NDS1 is further dissected to cover priority areas such as economic growth and stability; food and nutrition security; structural transformation; infrastructure and utilities; digital economy; housing delivery; governance; social protection; image building, international engagement and re-engagement, environmental protection, climate resilience and natural resources management; youth sport and culture; health and well-being; human capital development; and devolution.

[6] The second wave of COVID-19 might discount economic recovery potential in the short to medium term.

The NDS1 got macro-economic ambitions in the realm of maintaining a GDP growth of at least 5%; observing SADC fiscal deficit target of at most 3% of the GDP; arrest inflation and maintain it in the single digit range; build and sustain a six months import foreign currency cover by 2025; establish a market-oriented foreign exchange market; adhere to a 70% of GDP limit on external and domestic debt; observe a -3% of GDP current account balance; create 760 000 formal jobs over the NDS1 tenure; develop infrastructure around energy, water, sanitation, roads, rail and housing, as well as beneficiation and value addition of agriculture and mining outputs. The unfavorable economic outlook characterized by limited investment, dry credit lines, corruption, a shrinking fiscal space, the second wave of COVID-19 as well as currency distortions do not warrant the attainment of a consistent annual 5% GDP growth. The shrinking fiscal space limits the investment in all forms of infrastructure thereby suppressing the economy's growth potential. The setting of innumerable fiscal and monetary targets is not in itself an achievement, rather the creation of a conducive economic environment is additive to the achievement of NDS1's objectives.

2.1 NDS1 strategic sectors and action plans

The NDS1, same as the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIMASSET) and the TSP identifies agriculture, mining, manufacturing and tourism as key growth sectors. What lacks are well-meaning and targeted sector-specific policy interventions divorced from political rhetoric if NDS1 is to fruition. The security of land tenure require refinement and modification to erase the uncertainty brought by the Global Compensation Deed of Agreement of 2020 – limiting investment in the sector. Also, the conversion of Agribank into the Land Bank does not necessarily translate into availing adequate agricultural funding and the adoption of sector-specific banks (such as the Women's Bank and the Empower Bank) has not recorded any meaningful development in Zimbabwe. In mining, the NDS1 envisions the formalization and capacitation of small-scale miners, operationalizing the "use it or lose it" principle, scale transparency in mining through the establishment of a mining cadastre information system, limiting the smuggling of minerals and the opening of new mines amongst a plethora of possible strategies. Apparently, mining remains a politicized and militarized sector whose massive corrupt operations are concealed. This scenario favors partisan mineral claim ownership, scales up smuggling of minerals and undercuts fiscal gains from mining. De-militarizing and short-circuiting political cartels and equipping artisanal miners upholds economic justice in the sector. The rescinding of foreign currency retention policy might promote transparency in the mining sector.

The NDS1 promotes high value addition and moving up the value chain as key manufacturing strategies linked to agro-processing, mineral beneficiation, restoring productive capacity of pharmaceuticals and the assembling of buses and trucks. However, government's capacity to support industry is questionable given the opacity if not corruption around the COVID-19 stimulus package which was never accessed by industry in 2020, thereby derailing industry's re- tooling efforts. In the tourism sector, the NDS1 drives for the opening of new tourism resorts, incentivizing tourism resuscitation through the Tourism Recovery and Growth Fund, destination accessibility, product development and diversification, tourism investment promotion and tourism legislative review. However, the recovery of the tourism sector remain anchored on the global containment of COVID-19, the lifting of travel bans and promotion of domestic tourism.

3.0 NDS1 vs key developmental imperatives

Weighed down by unresolved time-worn challenges and the COVID-19 induced lockdown, the economy is afflicted by innumerable challenges such as the current economic recession, outdated infrastructure, domestic resource mobilization challenges, macroeconomic instability (inflation and exchange rates), extreme poverty levels and unemployment, a decimated SME sector, corruption and retarded human capital development (closure of schools, colleges and universities). Other challenges include an ill-capacitated health sector, food insecurity, political polarization, deficient social protection and brain drain on the endless list. The concern is whether the NDS1 is adequately designed to address these challenges. Table 1 confirms NDS1's comprehensiveness in covering key developmental imperatives.

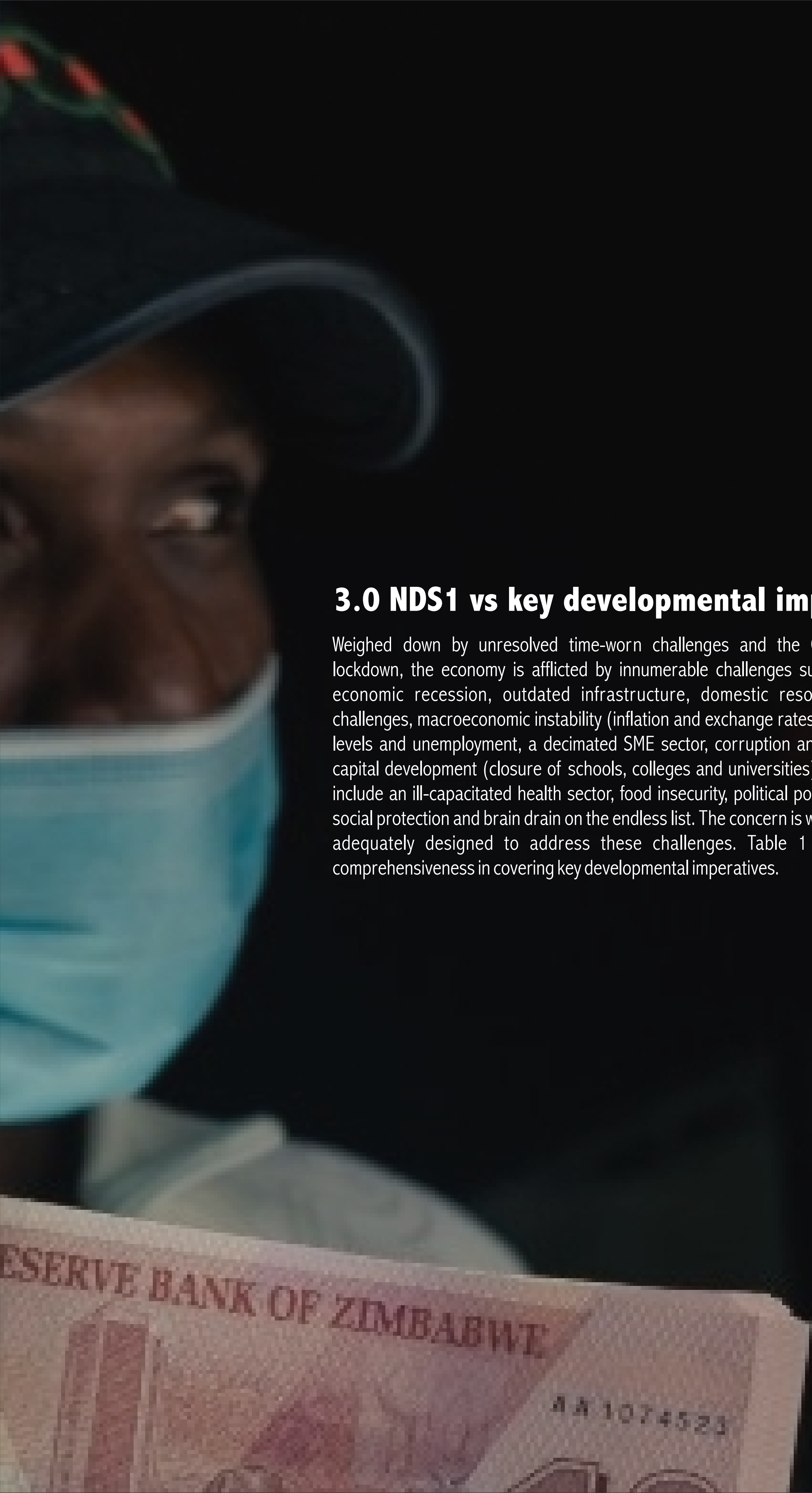

Table 1: Developmental needs Vs NDS1 initiatives

Developmental imperatives	NDS1 Initiatives
Poverty and vulnerability	Food assistance, social cash transfers, health assistance, promote financial inclusion through Savings and Credit Cooperatives, youth and women empowerment,
Access to water, sanitation and healthy environment	Finalize and implement the Zimbabwe National Water Resources Master Plan 2020-2040, Pooled Funding Mechanism for WASH[8], WASH advocacy and harmonize WASH sector statutes and policy instruments, campaign to eliminate open defecation and diarrheal diseases.
Access to education	Holistic education support, school feeding scheme, sanitary wear for female students, adopting Education 5.0 which promotes innovation and industrialization, new educational programmes, capacitate Centers for Education and Research, Innovation and Development, National Manpower Advisory Council, concessionary band width for education institutions, standardize basic and tertiary education etc.
Access to health	Increase Public Health Expenditure per capita, develop and implement Health Sector Coordination Framework, harmonize various health funds, pay and benefits developments, restructuring the health sector, implement community health strategy, expand tele-medicine platform etc.
Unemployment	Youth and women empowerment, increase formal employment, reduce precarious employment, rural development, formalization of the informal
Low industrial utilization capacity	Avail foreign currency through the formal market (auction system), promote higher value addition in the manufacturing industry, targeting existing value chains and mineral beneficiation, scaling innovation hubs
Economic recession	Upscaling productivity in agriculture, mining, manufacturing and electricity production
Food insecurity and low agriculture productivity	Promoting resilience and sustainable agriculture, climate smart agriculture, upscale and rehabilitate irrigation facilities, promote traditional crops, implement commercial contract farming, capacitate extension services, certainty around land tenure, training farmers, linking farmers with research, extension and agriculture education, modernizing agriculture, transform Agribank into the Land Bank, improve access to food market, capitalize strategic food reserve, allowing new players in the buying of grains, adopt a diversified strategic food reserves with effective collection and distribution network etc.
Low FDI	mage building, Engagement and Re-engagement drive.
Informality and incapacitation of SMEs	National action plan to enhance transition from informality to formality, Specialized training for SMEs (business process re-engineering, product development, participation of SMEs in public procurement, provision of affordable and appropriate infrastructure, development of innovation hubs, engage development partners to assist SMEs, funding for working capital at concessionary rate, etc.
Low salaries (below PDL)	Pay and benefits development, Human Capital Management and Development, regular review of salaries
Poor infrastructure	Restoring and improving infrastructure around energy, transport, water and sanitation, education, information and communication as well as housing.
Corruption	Strengthening institutions such as Auditor General, ZACC, National prosecuting Authority and the JSC; adopt e-Government System, improve fiscal transparency, strengthen the oversight of parliament and Auditor General, enforce sound corporate governance, etc.
Resource smuggling and leakages	Mandatory valuation of mineral exports complemented by weigh bridges at exit ports, monitoring and surveillance under the MMCZ, assign ZIMRA to control transfer pricing
Social protection, safety nets,disaster management	Implement the National Social Protection Policy (social assistance, social insurance, social support, livelihood support), modified and new social assistance programme, old age and child grants, appropriate targeting of the vulnerable, upgrade social protection delivery systems through MIS, provision of discretionary funeral and transport assistance during natural disasters, capacitating the civil protection department, implement citizen feedback system and provision of psyco-social support to societies after disasters, disaster risk management, public health care, weather, climate and Seismology services etc.

[8] Water, sanitation and hygiene

4.0 NDS1 and effective public finance management

This section vets the NDS1's revenue collection strategies, public expenditure priorities, and public debt management criteria given the shrinking fiscal space, conflicted expenditure primacies and debt overhang. During the TSP period, government progressively missed its revenue targets – calling for amplified revenue collection strategies. The NDS1 promises to widen the tax base through the formalization of the informal sector and capitalize on the widely informal economy. This initiative has been on the cards for long and little action, if any, has been invested to date. Also, resources ought to be invested in formalizing an economy operating in excess of 60% informally. Tax incentives are to be reviewed with the intention of resource retention and savings whilst advancing audit and tax services for large taxpayers. Although targeted subsidies are a saving, investment in apt databases and surveys is a priority. The government under the NDS1 pursues cost recovery for all government fees and the capacitation of tax administrators amongst a raft of viable revenue collection policies.

On the expenditure side, the NDS1 pegs investment spending at a minimum of 4% of GDP[9] – a good gesture given the limited investment spending under the TSP though the threshold remains low. The NDS1 also adopts a targeted approach to subsidy policy thereby plugging wasteful spending. Another welcome move is the establishment of the disaster preparedness fund designed to prepare the nation for pervasive disasters in light of climate change. The blue print also pledges feasible expenditure guidelines such as a strict adherence to approved budget, timeous review of civil servants' salaries, the reforming of SOEs, adopting a funded pension scheme and promoting fiscal transparency. Whereas the wage bill is to be compressed,[10] care must be taken not to trigger unrest in the civil service and affect service delivery. The soundness of these initiatives call for dutiful implementation of the same.

On the public debt management facet, NDS1 moves in to stop further accumulation of unjustified public debt by promising no further recourse on RBZ debt. As an acknowledgement of limited capacity to service the current stock of debt, the NDS1 pins hope on debt relief whilst prioritizing clearance of external debt arrears and engagement efforts meant to open new credit lines. The consideration of concessional financing in the interim is a good conservative move given the unsustainable debt levels.[11] Whereas the government is expected to issue medium-long term bonds as a way of reducing borrowing costs and deepening the capital market, borrowing must be for budgeted cost centers noting the debt repayment capacity too. These measures are likely to lower the debt obligation to sustainable levels whilst building capacity to service new subordinate debt which must only be considered under strict considerations.

9 Public investment is set to increase from 3.8% in 2020 to 6% of GDP in 2025.
10 The wage bill is to be compressed from 47% of GDP in 2020 to 40% by 2025.
11 Any new debt tranches shall be taken whilst observing the 70%

5.0 NDS1 gaps and strength

The major weakness around the NDS1 is the unavailability of funds to kick start the implementation of the policy. Fiscal revenue is not tenable given the DRM challenges.12 Un- serviced debt obligations limit the country's access to new lines of credit rendering the loan- financing option invalid. Grants from development partners are not dependable and of late, grants globally are being intended to control COVID-19. Another un-viable option is public entities' own resources as most of these entities record perennial losses and survive on government subsidies. Resources from the private sector (PPP, FDI and diaspora investments) require conducive reforms around regulation and property rights. Little progress made in international engagement and re-engagement, image building and debt clearance further limit the financing fortunes thereof.

The NDS1 implementation and monitoring plan is also painstakingly complicated and requires resourcing as well as the establishment of new institutions (NDS1 National Steering Committee, Monitoring and Evaluation (M&E) Department in the Office of the President and Cabinet, National M&E Joint Review) – thereby either delaying the implementation or faltering in the implementation. The NDS1 also seeks to privatize power generation and distribution – defining a new era of scrapping power subsidies. The low-income citizen class might not afford power thereafter and appropriate policies need to be adopted.

On the positive side, the NDS1 seeks to disband the Grain Marketing Board's monopoly in the purchase of grains thereby introducing competition and timeous payment of the farmers. The NDS1 also observes the need to control the on-going accumulation of public debt by stopping the siphoning of RBZ debts to the government. The major strength of this blue print is the Integrated Results Based Management approach which lacked in earlier policy documents. The hope is that the implementation, monitoring and evaluation facets will be transparent and proof of political abuse.

6.0 Conclusion

The NDS1 is an ambitious document inclined on engendering transformative inclusive growth towards the attainment of Vision 2030. Albeit the highlighted deficiencies, the NDS1 speaks to most of the developmental imperatives of the economy and projects a sound public finance management framework. However the realization of the NDS1 aspirations require adequate financing strategies as the suggested financing framework is not tenable on the basis of a weakened tax base, un-serviced external debt obligations, little progress in international re-engagement and untenable budget support from international development partners.

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Twitter: @zimcodd1 **Facebook:** Zimcodd **Website:** zimcodd.org