



Investing in People for Social and Economic Justice

REPORT

2021 Mid Term Budget and Economic Review Analysis

Public Finance Management Reform Indaba, Thursday, 29 July, 2021

The Minister of Finance and Economic Development Hon. Dr Mthuli Ncube presented the Mid Term Budget and Economic Review to the nation on 29 July 2021 in compliance with Section 7 (2) (a) of the Public Finance Management Act and Section 9 of the Public Finance Management (General) Regulations of 2019. The Zimbabwe Coalition on Debt and Development (ZIMCODD) facilitated a virtual Public Finance Management Reform Indaba to give citizens and key stakeholders an opportunity to share critical reflections, analyses and recommendations.

1. The Mid Term Budget and Economic Review is a failed opportunity to leverage public sector spending to grow the economy and make the Zimbabwean economy work for the many and not the few during this time of pandemic, increased hardship and worsening standards for the majority especially women and children. ZIMCODD research indicated widespread stakeholder expectations for robust measures to stimulate the informal economy, increase social protection coverage, reduce resource leakages and strengthen regulatory and oversight mechanisms. These expectations were largely unmet. More can and should be done to achieve Government's economic productivity, growth and job creation ambitions in a manner that ensures a just and equitable recovery to the broader long-term impacts of the COVID 19 pandemic.
2. In his Mid-term Budget and Economic Review, the Minister outlined progress made towards resolving perennial macro-economic challenges such as high inflation, budget deficits, heavy indebtedness and overall budget transparency.
 - Domestic GDP growth for the year 2021 is projected to remain strong at 7.8%, slightly above the 2021 National Budget growth forecast of 7.4%.
 - Significant growth rates are expected from 2021 national budget forecast from areas such as Agriculture, Hunting and Fishing and Forestry 11.3% to 34.0%, Manufacturing 6.5% to 7.0%, Accommodation and Food Services Active 5.7% to 6.4%, Human Health and Social Work Actives 2% to 5.7%, Public Administration 2.5% to 2.6% and Construction 7.2% to 7.7%.
 - According to the Minister, inflation has declined from 837.5% in July 2020 to 106.6% in June. The July year-on- year inflation stands at 56.37% and 2.56% for month-on- month inflation. The government continues to embrace contractionary monetary policy with month-on- month inflation expected to remain stable at less than 3% and annual inflation to fall to 22% and 35% in August and December respectively.
 - Zimbabwe continues to surpass revenue collection target, as of June 2021 Zimbabwe a total of ZW\$ 198.2 billion against ZW 182.1 billion was collected.

Higher international mineral commodity prices, stable macroeconomic environment, better 2020/21 rainfall season and COVID-19 pandemic response measures, including an effective vaccination program embellish this positive outlook.

3. The Mid-term Budget Review demonstrated government's commitment to harmful austerity measures at a time when service delivery and social protection services are needed the most by a majority youth population under pressure from the impacts of the pandemic, climate and frequent economic shocks. An example in point: Zimbabwe's commitment to child protection services remains inexplicably low as evidenced by allocations from 2017 (US\$ 1.35 million), 2018 (US\$ 1.6 million in 2018), 2019 (US\$ 1 million) and 2021 (US\$ 1.2). A country that spends so little on its children cannot expect to secure the future. Approximately 2.6 million children are in

need of assistance as Severe Acute Malnutrition (SAM) has increased from 0.2% in 2018 to 1.4% in 2019¹. Despite such increase in SAM the government in 2019 reduced its allocation to child Protection Service, a clear anomaly in government spending prioritization. As of November 2020, approximately 3 526 children had received ZWL\$ 400 which was later reviewed to ZWL\$ 1 500 in January 2021 – an amount too meagre to make meaningful changes to the lives of children. The burden of Government's unwillingness to take of the children is shifted onto the shoulders of women and poor families subsisting in the informal economy. A supplementary budget to ease this burden on the poor would have been a transformational step. However, to avoid this reliance on supplementary budgets, it is time to introduce a Universal Basic Income Grant for the sake of the children.

4. According to The Deputy Director Child Protection Services, Mr Zimhunga, approximately 1.5 million children under the Basic Education Assistance Module (BEAM) might not be able to have their fees paid as schools have reviewed their fees since November last year. The inflationary cost of educational services in itself a by-product of the incremental privatisation of education service in Zimbabwe has contributed to increasing levels of schools drop-outs, teenage pregnancies, drugs abuse and examination failure. Ballooning household debt is being fuelled in part by rising education costs. The growing digital divide is self-evident in that the majority of Zimbabwean children are unable to participate in remote learning activities due to high data costs and lack of mobile devices. Supplementary budget support to enhance the BEAM and to support the expansion of remote learning mechanisms during the COVID pandemic was both necessary and urgent. Children and their education must remain a priority.
5. The Minister failed to roll out on plans and provide capital to the Land Bank which according to Hon Nyashanu must assist farmers to have access to lines of credit and promote continuous growth in the agricultural sector. At the same time, the Minister should have come up with measures to stimulate the SME sector, which currently is the engine and hope for economic growth in our country. Instead of celebrating the economic stability the Minister should have come up with measures to accommodate the informal economy into the mainstream economy which represents approximately 60% of the economy.
6. The current economic model of the Government of Zimbabwe's will likely balance the books as it is focused solely on economic growth figures. It has been praised by the likes of the International Monetary Fund and the World Bank. However, it comes at a huge cost to the majority of Zimbabweans. The enclaved nature of the economy in which policy speaks mostly to the formal economy and marginalises the informal economy where 70% of the population subsists is in itself a diversion from reality. The Minister chose to miss an opportunity to recalibrate the 2021 to match the prevailing realities of tough social and economic conditions for the majority.

ZIMCODD is indebted to the esteemed Public Finance Management Reform Indaba panel of **Hon Dr Mathew Nyashanu** (Chairperson of the Parliamentary Portfolio Committee on Budget, Finance and Economic Development), **Tawanda Zimhunga** (Deputy Director Child Protection Services), **Dr Innocent Bayai** (Development Finance Practitioner) and **Maureen Sigauke** (Social and Economic Justice Equity Activist.) ZIMCODD is grateful to the Social and Economic Justice Ambassadors, Coalition Members and citizens who contributed their views. ZIMCODD thanks Mr Andy Hodges for hosting the engagement and to the Zimbabwe Television Network for broadcast services.

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¹ www.reliefweb.int/report/zimbabwe/humanitarian-action-children-2020-zimbabwe