

Analysis of the 2024 Budget Strategy Paper

2023



ZIMCODD
ZIMBABWE COALITION ON DEBT & DEVELOPMENT



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Key Highlights & 2024 Budget Expenditure Prioritization

The economy is projected to grow by 5.2% but this is largely dependent on good governance, curtailing of illicit financial flows, massive investment in public service delivery, climate mitigation and smart agriculture, fiscal discipline among others.

Fiscal Policy thrust is anchored on:

- Sustainable budget deficits (less than 3% of GDP to contain ZWL depreciation & inflation).
- Prudent approach to fiscal management (cash budgeting, raising additional tax revenue, containing spending & efficient resource use).
- Reform Agenda (arrears clearance, debt relief & resolution strategy, redress high input costs & low productivity, reform of public entities).

In 2024, the Treasury projects to collect 19.2% of GDP in tax revenues. This will be underpinned by tax administration initiatives to enhance tax enforcement & compliance and adoption of technology.

The economic priorities set in the 2024 BSP are drawn from the National Development Strategy 1 (2021-2025). The key economic priorities are summarized below:

- Economic Growth and Stability
- Supporting Value Chains
- Agriculture
- Manufacturing
- Mining
- ICT & Digital Economy
- Transport
- Energy
- Debt Resolution Strategy



Social protection is prioritized in the 2024 national budget, although intimate details are not provided.

Housing is prioritized in the 2024 budget, however, the government did not specify on the funding strategy to be adopted to ensure optimum housing projects.

Priority funding for The Women's Microfinance Bank, Empower Bank and the Small and Medium Enterprises Development Corporation (SMEDCO) to catalyse women, youth and small businesses to participate effectively in the mainstream economy. Nonetheless, the intended funding strategy remains vague as it is not stated.

Governance issues such as devolution, effective institutional building and image management will be considered in the 2024 national budget.



1 INTRODUCTION

In the month of August 2023, the government published the 2024 Budget Strategy Paper (BSP) which came a bit late as compared to its predecessors. A trend analysis of the publication of BSP by the government shows that, they are usually released in the month of July together with the Mid-Term Budget Review. The delay in the publication of the BSP might be attributed to the 2023 harmonized elections as majority of senior public officials such as ministers, deputy ministers, permanent secretaries and chief directors were all immersed in campaigning. A scenario that undermined the optimum operation of the government and also a reflection of the detrimental effects of party-state conflation. Nonetheless, the publication of the BSP is a welcome development and signifies positive strides towards good Public Finance Management (PFM). The BSP is pre-budget blueprint which articulates the government's expenditures intentions for the following year. It projects areas and programs that the government intends to fund and prioritize. Therefore, given this scenario, the Zimbabwe Coalition on Debt and Development (ZIMCODO) intends to examine government's intended priorities for the year 2024 and ascertain whether they capture the reality on the ground with respect to poverty alleviation, address housing crisis, good public service delivery, human capital development, debt management, inclusive value chains, revenue generation strategy to mention but a few.

2 REGIONAL & INTERNATIONAL BUDGET ALLOCATION BENCHMARKS

Generally, domestic, regional, and global benchmarks are established to function as indispensable tools for addressing the transparency and accountability deficit associated with long-term targets. The effectiveness of indicator benchmarking, however, primarily rests on two (2) factors, political commitment and overcoming technical challenges in measurement. Zimbabwe is a signatory to several regional and continental treaties with benchmarks for national budget allocations.



The major aim of these is to uplift millions in developing nations out of the poverty trap. This is because the national budget is a crucial document that illuminates government decisions to invest & consume, borrow & lend, and tax & spend. Table 1 indicates some selected key regional and global budget commitments for Zimbabwe.

Table 1: Regional and International Budget Allocation Benchmarks

Sector	% threshold
Education	20% Dakar Declaration (2000)
Healthcare	15% Abuja Declaration (2001)
Water & Sanitation	1.5% Ethekwini Declaration (2008)
Transport & Infrastructure	9.6 AU Declaration (2009)
Social Protection	4.5% Social Policy for Africa (2008)
Agriculture	10% Maputo Declaration (2003)

Source: ZIMCODD 2022

Nevertheless, poorly thought and hurried implementation of structural adjustment programs, unsupported austerity measures, and a clear lack of political commitment have resulted in Zimbabwe’s failure to meet most of these benchmarks over the years. This is probably the reason the nation is facing crumbling infrastructure, unaffordable and inaccessible public services, widening inequalities, and vicious cycles of poverty. As such, the 2024 budget must endeavour to adhere to these benchmarks when appropriating budget votes if Zimbabwe is to attain economic growth and development that is stable, inclusive, and sustainable. This is the thrust of the 10-year National Development Strategy (NDS) (2021-2030) of leaving no one and no place behind toward achievement of an upper-middle income country by 2030.



3 2024 BUDGET PRIORITY AREAS & CITIZENS EXPECTATIONS

3.1 Economic

3.1.1 2023 Macroeconomic Environment

The severe macroeconomic fluctuations witnessed in the first half of 2023 (1HY23) derailed some key assumptions underpinning the 2023 budget such as stable local currency (ZWL), low inflation, and increased electricity production. The fluctuations greatly subdued business activity by sending production costs haywire. Also, the resultant hyperinflation eroded the real value of earnings, subdued social service delivery, and plunged many citizens into poverty. This compelled authorities to institute a plethora of policy measures to tame instability. Statistics show that ZWL depreciation and price growth moderated in July 2023 through August 2023. As a result, authorities now expect national output (GDP) to grow by 5.3% in 2023, up from initial projections of 3.8%.

The revision of the 2023 growth projection is supported by a better 2022/23 agriculture season, ongoing public infrastructure projects, favorable global commodity prices, improved domestic electricity production from recently commissioned new thermal units, moderating ZWL decline, and sustainable budget deficit, among others. However, there remain many risks to the 2HY23 economic outlook that can slow down economic activity. For instance, the August 2023 presidential electoral result is contested which will compromise the legitimacy of the declared winner. Other risks of disputed election include inter alia squandering of public assets, corruption & impunity, political violence, sour international relations, and capital flight. The nation together with other SADC member states is also projected to experience drought weather conditions for the 2023/24 season thus greatly subduing agricultural activity. Elevated fiscal spending is expected in 2HY23 and beyond as the government seeks to cushion the economy and citizens from a likely drought that will threaten ZWL & price stability.



3.1.2 2024 Revenue Strategies

In 2024, the Treasury projects to collect 19.2% of GDP in tax revenues. This will be underpinned by tax administration initiatives to enhance tax enforcement & compliance and adoption of technology. The tax base will be expanded through an embrace of emerging industries and the capture of the digital marketplace. Authorities will endeavor to review concessions & contracts undermining revenue collection as well as adjust fees, charges & levies in line with the cost recovery principle. Also, revenue leakages from corrupt activities will be curbed. These proposed measures are welcome as long as they safeguard both vertical & horizontal tax equity and lessen the tax burden on poor households.

3.1.3 2024 Expenditure Strategies

The 2024 expenditure ceiling will be limited to available resources and the fiscal deficit will not exceed 3% of GDP in line with the NDS1 target. The size of the wage bill will depend on the extent of wage compression, gaps in service delivery, and skills flight. Also, there will be retention schemes for critical staff, performance contracts, strengthening of value for money (VFM) audits, and plugging out procurement loopholes. However, robust expenditure containment will require adequate political will to swiftly institute an agreed reform matrix with creditors: Governance, Land tenure, and Economic reforms. These reforms are the only durable way to improve government efficiency.

3.1.4 2024 Economic Risks

Zimbabwe faces various risks that may undermine projected 2024 GDP growth. These risks include the likely persistence of exchange rate and commodity price volatilities which will adversely affect revenue collection, service delivery, and debt servicing costs. Revenue risks may emanate from reduced tax compliance, rampant corruption & impunity, and rising dollarization which breeds informality and tax evasion. There is also a likelihood of expenditure risks emanating from structural budget rigidity and limited fiscal space.



In addition, due to underinvestment in climate-smart agriculture, Zimbabwe is too susceptible to climatic shocks like the projected El-Nino weather conditions for the 2023/24 cropping season. Again, negative spillover effects are coming from deteriorating geopolitical tensions fueled by the Russia-Ukraine war such as higher input prices and dislocation & disruption of global supply chains. As alluded to earlier, mitigation of these budget risks will require authorities to strengthen legal & regulatory framework, capacitate accountability institutions, embrace DRM, diversify the economy (value addition & beneficiation), provision of affordable & accessible public services, engage & re-engage the global community, and implement political & economic reforms to strengthen democracy, improve efficiency, and subdue pricing distortions.

3.2 Social

3.1.1. Social Protection

Optimum social protection is the bedrock and nerve-center of national poverty alleviation. Social protection enables the government to strengthen human security, eliminate human citizen vulnerable and induce effective human capital development that is prerequisite for national growth and development. Social protection encompasses programs such as Basic Education Module Assistance (BEAM), Harmonized Social Cash Transfer Program (HSCTP), Drought Mitigation Programme (DMP), Health Assistance Programme (HAP), Child Protection Services (CPS), the support of the elderly and people living with disabilities and other social projects intentionally target the underprivileged. The 2024 BSP elaborates government's intention of prioritizing social protection. While this is a welcome development, traditionally the government has been prioritizing social protection in allocation and not in expenditure. A move that can be described as a subtle ploy to make the citizens believe that the government will prioritize social spending while in reality it is not. Documentary review evidence from the 2023 Budget Mid-term Review shows that, the resources earmarked for social protection are wanting.



Thus, the government in the year 2024 must allocate adequate sufficient resources for social protection that are able to address the current humanitarian crisis:

- 3.8 million rural people are facing food insecurity,¹
- 1.8 million urban people are facing food insecurity,¹
- Approximately 3.5 million children are chronically hungry,
- About 60% of rural girls and women encounter period poverty thus they lack access to menstrual supplies and education² and lastly it is believed that girls who experience poverty miss 20% of their school life.³
- About 68% of pre-primary aged children (3-5 years) and 47% adolescents (13-18 years) are not in school
- Approximately 4.5 million children experienced loss of learning due to COVID by early 2021.⁴

3.2.2 Housing Development

ZIMCODO welcomes the government's intention to prioritise housing development in the 2024 national budget. Housing development is integral variable that is used to ascertain national development and citizen vulnerability which makes it critical in the development matrix. Currently, housing backlog and waiting list have reached alarming levels across the country with local authorities failing to meet the demand for stands. Optimum allocation of stands has been affected by a myriad of challenges which include nepotism, corruption, wholesome populist policies, economies of affection and partisan politics. Currently, Bulawayo City Council's waiting list is at 130 000, while Harare City Council is expected to be between 180 000- 200 000.⁵ At the same time, national housing backlog stands at two million. This points to the scale and magnitude of housing shortages in the country as well as the housing inequality.⁶ A challenge that can only be obliterated by good governance and the revival of the following funding facilities.

1. <https://www.voazimbabwe.com/a/zimbabwe-poverty-hunger-widespread-12apr10-90647654/1466737.html>

2. <https://www.techwomen.org/girls-education/vheneka-khanyisa-eliminating-the-shame-of-period-poverty>

3. <https://www.techwomen.org/girls-education/vheneka-khanyisa-eliminating-the-shame-of-period-poverty>

4. UNICEF 2021 Zimbabwe Annual Report

5. <https://www.chronicle.co.zw/flats-to-reduce-byo-housing-backlog/>

6. <https://www.chronicle.co.zw/govt-acts-on-national-housing-backlog-2/>



- The National Housing Fund (NHF): A facility to extend loans to local authorities for housing development. The NHF was financed directly by the government. Thus, to mean there was a specific vote from Treasury. The NHF also account for rural housing development between 1982 to 1995.
- The Housing and Guarantee Fund (HGF): A facility that was established for prospective homeowners to borrow from financial institutions by providing a government guarantee. The HGF provided loan facilities for both Civil Servants and non-government at 100% and 90% respectively.
- The Central Rates Fund (CRF): It was established to provide financial support to rural services such as growth point establishment and district service centres.
- The General Development Loan Fund: The facility provided loans for development prioritising Rural District Councils.

3.2.3 Women, Gender Equity & SMEs

This is one of the most neglected clusters in Zimbabwe. Women as well as Small and Medium Enterprises (SMEs) have been relegated in economic governance. The 2024 BSP announced government's aspirations to capacitate women by compelling government departments, state enterprises and parastatals to employ women in management and key decision-making positions. This will be strengthened by ensuring that, the 2024 budget prioritise SMEs in various value chains. The Women's Microfinance Bank, Empower Bank and the Small and Medium Enterprises Development Corporation (SMEDCO), whose thrust is to provide loans and capacitate women, the youth and small businesses participate effectively in the mainstream economy will be prioritised for funding in 2024. While this is a welcome development, it is critical to note that, the government has for a long time setting aside resources for women but only those connected to the highest echelons of power benefited. Partisan allocation of resources has also remained problematic.



3.2.4 Water & Sanitation

The prioritization of water and sanitation in the 2024 national budget is a great stride towards enhanced hygiene, attainability of Sustainable Development Goal (SDG) 6 and Zimbabwe's aspiration of attaining an upper middle-income economy. While still celebrating government's effort, it is imperative to note that funding allocations towards water and sanitation must be sufficient and aimed at reconstruction and construction of water works and not drilling of boreholes. It seems like, recently the government has reached efforts of improving water accessibility to borehole drilling. Although, the drilling of boreholes is necessary in ensuring water availability it can never be a core solution to the national water crisis.

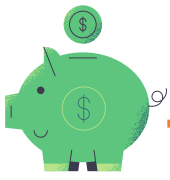
3.2.5 Human Capital Development

The 2024 national budget set aside resources for Human Capital Development (HCD) focusing on rejuvenating the health and education sectors which are in ramshackle coupled with archaic and dilapidating infrastructure. The duo health and education are at the core of HCD and have the potent to propel national growth and development. Although, the government has made commitment to allocate resources towards health and education sectors. It is important to note that, the two sectors have for a long time been allocated adequate resources but suffocated on the expenditure side as the treasury takes long to disburse the funds. The two sectors have been competing on the side of under expenditure while school dropout and unavailability of medicine increases. Therefore, lack of political will for budget implementation remains a cause of concern.

3.3 Governance

3.3.1. Devolution

The concept of devolution & decentralization entails the devolving of power from the central to local government. Thus, it is the transfer of powers, responsibilities, functions and finances to subnational entities.



Devolution denotes the administrative and economic autonomy of subnational institutions in undertaking decisions within their jurisdiction. There are three different types of devolution and decentralisation which entail the political, administrative and fiscal decentralisation. Currently in Zimbabwe none of the above trio types of devolution have been attained. The national budget is responsible for funding devolution projects and activities that strengthens and foster effective devolution. In the 2024 BSP the government will set resources earmarked for devolution. However, like it the previous years the government`s sincerity remains questionable as the Minister of Local Government and Minister of State for the province in questions overrides the decisions of the local government. Thus, the funding of devolution programs remains ineffective and wanting if the intentions are not to bring robust decentralisation across the country. The failure to bring decentralisation across the country has costed mining host communities who are exploited, subjected to misery and unhappiness while their resources benefit other nations. Effective devolution and decentralization will culminate in fiscal independence whereby local governments generate revenue from their resources and use them to develop their communities.

3.3.2 Effective Institution Building And Governance

Strong and effective institutions are critical for optimum governance that foster transparency, accountability and responsibility. The 2024 budget will set aside resources for institutional building. The targeted institutions include the Zimbabwe Anti-Corruption Commission (ZACC), Office of the Auditor General (OAG), National Prosecuting Authority (NPA) and Judicial Service Commission (JSC). The targeted institutions have an oversight, watchdog and ombudsman role that is prerequisite for good governance and resource utilisation accountability. Ironically, the institutions are capacitated financially, to facilitate resource abuse and leakages as evidenced by the Gold Mafia documentary carried out by Al Jazeera.



3.3.3 Image Building, Engagement and Re-engagement

A governance thrust meant to revive Zimbabwe's relations in the international community. The rejuvenation of brand Zimbabwe is hinged upon attaining a good image in the international community through upholding rule of law, democracy and inclusive governance. In its attempt to regain its place in the community of nations Zimbabwe set aside resources earmarked for increasing access to information. Some of these projects include expansion of digital transmitters and base stations and establishment of community radio stations. A move that has been attempted to be strengthened by signing of various International Treaties and Protocols, as well as Re-Engagement Meetings with Creditors and International Finance Institutions (IFIS) under the Arrears Clearance, Debt Relief and Restructuring Strategy. Even though, this is a great stride towards re-engagement the aforementioned efforts must not be implemented in isolation thereby neglecting other vital areas of importance such as devolution and decentralisation, strengthening of oversight institutions and implementation of inclusive social protection programs.

4 CONCLUSION

In conclusion, ZIMCODO welcomes the 2024 BSP despite its delay by a month. The BSP is critical in facilitating national budget literacy and transparency as it informs the citizens how the government intends to allocate resources. It also gives them ample time to study and analyses government expenditure intentions to make informed submissions during the October national budget public hearings and consultations. To this end, the 2024 captures majority of the challenges being affected by the citizens. Nevertheless, the BSP is not an end itself as there is need for political will and prudent finance management if the government is sincere in addressing the plight of the citizens.