



## THE WEEKEND READER

"Your Weekly Read on Debt, Development & Socio-Economic Justice"

### **ZIMCODD Expectations for the 2025 National Budget**

Professor Mthuli Ncube, the Minister of Finance, Economic Development and Investment Promotion (MoFEDIP), is expected to table Treasury's 2025 Executive Budget next week (Thursday, 28 November 2024). The budget statement will help citizens understand the government's policy priorities, which include domestic revenue mobilization, public sector borrowing, social spending and tax relief measures. While the public awaits this blueprint, it is imperative to reflect on the performance of the 2024 National Budget as this helps to inform expectations for the upcoming year.

### **A Review of the 2024 Fiscal Year**

2024 has shaped up to be a challenging year, particularly for low-income earners who have battled various macroeconomic headwinds. The local currency, which was changed from Zimbabwe Local Dollar (ZWL) to Zimbabwe Gold (ZWG), continued to experience increased volatility against hard currencies like the United States Dollar (USD). Introduced on the 5th of April 2024 at ZWG/USD 13.59 in the official interbank market, officially backed by reserve assets (gold and USD), the ZWG has slid by 60% as at November 21, 2024. ZWG inflationary pressures remain elevated, burgeoning from a deflation estimated at -2.4% in April 2024 to a staggering 37.2% at the end of October 2024 -an unbearable mean monthly inflation rate of 7%.

Apart from ZWG volatility, inflation pressures were sustained by resource diversion (corruption & illicit dealings), high interest rates, debt unsustainability collapsing the fiscal space at a time of elevated fiscal pressures, prolonged electricity load-shedding schedules, El Nino-induced drought that exerted pressures on food prices and reduced food availability in the formal market. Furthermore, global geopolitical tensions had a huge bearing on global borrowing costs and global food prices. These tensions have also softened global mineral commodity prices. However, Zimbabwe is a mineral-dependent economy with mining alone contributing at least 75% to annual export earnings.

In the same vein, macroeconomic tightening has exacerbated poverty and inequality levels. Available ZimStat statistics indicate a substantial increase of 50% in the poverty rate as measured by the Total Consumption Poverty Line (TCPL) between April 2024 (ZWG650.26) and October 2024 (ZWG976.40). Not only has extreme poverty increased but inequality has grown as well. The Gini index, widely used as an inequality indicator, increased from 43 in 2011 to 44 in 2017 and 50 in 2019, making Zimbabwe a highly unequal country. High inequality is a great source of risk for business activity as it limits productivity, constrains consumer spending and growth, destabilizes supply chains, triggers political instability and jeopardizes their social license to operate.

Due to these factors, official economic growth forecasts were revised downwards by 1.5 percentage points in June 2024 from the initial 3.5% to the modest 2%, way below the average National Development Strategy 1 (NDS1) target of 5%.

### **Expectations for 2025 Fiscal Year**

As narrated above, it is crystal clear that the 2025 national budget must prioritize social sectors, particularly social protection, healthcare and education. This is because poverty levels are expected to remain high in the first half of 2025 as the nation faces a complex humanitarian crisis driven by climate-related El Nino-induced drought, economic instability and public health emergencies, including cholera and polio outbreaks. While La Nina weather patterns (normal to above normal rainfall) are expected for the 2024/25 cropping season, the number of people needing food assistance is alarming. In the 2023/24 Agric season, the country faced one of its worst droughts in 40 years, affecting an estimated 50% of the population (7.6 million people), including 3.5 million children.<sup>1</sup> Out of the 7.6 million people, 5.9 million are in rural areas and 1.7 million in urban areas, and the impact of the drought will be most severe during the peak hunger period of January to March 2025.

Incessant currency fluctuations and sustained high inflation are preventing vulnerable groups like youths and people with disabilities from accessing critical social services such as housing, education, and healthcare. A shocking statistic from the Zimbabwe Livelihoods Assessment Committee (ZimLAC) report released in June 2024 indicates that nationally, about 22.3% of school-going-age children were not in school, with financial difficulties cited as the most common reason preventing many families from affording education for their children.<sup>2</sup> As a result, the girl child is now indulging in early child marriage, with official statements indicating that in 2023 alone, about 4,557 girls dropped out of school due to pregnancy, the majority of these 3,942 being from rural schools.<sup>3</sup> As such, Treasury must at least meet the international and regional spending benchmarks for social sectors, such as the 15% Abuja Declaration on health, to suppress poverty by improving access to critical services.

Similarly, the disbursement of public funds to government ministries, agencies, and departments (MDAs) must be done on time. In addition, the 2025 national budget must devise progressive tax reforms to ensure that the rich pay their fair share while providing meaningful tax relief measures to cushion low-paid civil servants. Moreover, Treasury must address the currency problem if Zimbabwe is to attain a 'goldilocks' economy (balanced national output growth, employment, and inflation) in the medium to long term, in line with Vision 2030. Since its reintroduction in 2019, the local currency has faced enormous downside risks, significantly losing value against hard currencies. It is high time the government clamps its spending appetite by cutting unproductive subsidies and expediting the implementation of reforms already identified through the Structured Dialogue Platform (SDP).

Treasury announced<sup>4</sup> recently that it will tame fiscal spending pressures associated with the fourth quarter by cutting foreign travel, local workshops and fuel allocations. If sustained beyond 2024 and coupled with increased exchange rate liberalization and the creation of ZWG demand, this will help discover the actual ZWG market price, thus suppressing dollarization pressures. So far, statistics show the ZWG gaining some of its value against the USD from mid-November 2024 in both the official and parallel markets. This could be attributed to reduced Treasury spending which promotes monetary discipline.

1. <https://reliefweb.int/report/zimbabwe/unicef-zimbabwe-humanitarian-situation-report-no-6-multi-hazard-august-2024>

2. <https://www.zimbabwesituation.com/news/zim-records-jump-in-school-dropouts/>

3. <https://zimstamews.com/2024/09/06/4-557-zimbabwe-girls-drop-out-of-schools-due-to-pregnancy-says-minister/>

4. <https://www.newsday.co.zw/local-news/article/200035142/broke-govt-cuts-spending-amid-tight-fiscal-space>

Furthermore, the 2025 national budget must fully broaden the tax base by curbing resource leakages, incentivizing the formalization of the informal economy, economic diversification and strengthening value chains, particularly in the agriculture and mining sectors. This is critical in reducing borrowing pressures. All borrowing in 2025 must not be for current consumption but for investing in long-term sustainable projects that generate adequate cash flows to repay the principal amount and interest charges. Last but not least, there is a need to address the electricity deficit by greening critical sectors of the economy, particularly agriculture, mining, transport, manufacturing and energy. The 2025 national budget can provide stiff penalties to deter vandalism and offer lucrative incentives to promote private-sector participation and rooftop solar installation by households. This will go a long way in saving energy consumption, reducing the impacts of climatic shocks on food production and electricity generation, and suppressing inflationary pressures.

## Opportunities

- Chief Health, P-5, Harare, Zimbabwe, #21074, FT, (Open to Non-Zimbabwean national only): <https://www.unicef.org/careers/vacancies/template>
- National consultant to provide technical assistance in finalising the revised Results-Based Financing (RBF) support mechanism ,280 working days (Open to Zimbabwean Nationals only): <https://jobs.unicef.org/cw/en-us/job/577254>
- Human resources Specialist : [https://jobs.fao.org/careersection/fao\\_external/jobdetail.ftl?job=2403486](https://jobs.fao.org/careersection/fao_external/jobdetail.ftl?job=2403486)
- Youth Empowerment and Transformation Trust: : [https://docs.google.com/forms/d/e/1FAIpQLScZAXkdj1yjoluJXkGP4GTe8BCb5SpxkilRKvrK\\_iYo2kJSLQ/viewform?usp=sharing](https://docs.google.com/forms/d/e/1FAIpQLScZAXkdj1yjoluJXkGP4GTe8BCb5SpxkilRKvrK_iYo2kJSLQ/viewform?usp=sharing)



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Do you believe in the movement for equality?

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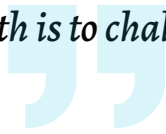
## #Youth4Integrity pledge

Are you a member of the youth (18-35 years) with a passion for fighting social and economic injustice? Do you want to join the action for Integrity? Do You want to become an Integrity Icon? If your answer to any of these questions is yes, take the pledge today: <https://rb.gy/9ogzgx>

Watch Episode 5 of our #Youth4Integrity Podcast: <https://youtu.be/rg3bOWjkySs>

**Quote of the week: Curt Cobain**

*“The duty of youth is to challenge corruption.”*



**Picture of the week:** *Counting down to International Anti-Corruption Day, 9 December 2024.*