ZIMCODD

2025 National Budget Analysis:

A Social and Economic Justice Perspective

Acronyms

BEAM - Basic Education Assistance Module

CEPPS - Consortium for Elections and Political Process Strengthening

GDP - Gross Domestic Product

HCT - Harmonized Cash Transfer

IFFs - Illicit Financial Flows

NB- National Budget

MDAs - Ministries, Departments, and Agencies

NHS - National Health Strategy

NDS1 - National Development Strategy 1

NEAPS - National Enhanced Agriculture Productivity Scheme

PWD- Persons with disabilities

PPG - Public and Publicly Guaranteed

SEZ - Special Economic Zone

VAT - Value-Added Tax

VID - Vehicle Inspection Department

WHT - Withholding Tax

ZIG - Zimbabwean Dollar

ZIMCODD - Zimbabwe Coalition on Debt and Development

ZimLAC - Zimbabwe Livelihoods Assessment Committee

ZW - Zimbabwe

1. Introduction

On Thursday, the 28th of November 2024, the Minister of Finance, Economic Development, and Investment Promotion, Professor Mthuli Ncube, presented the 2025 National Budget. As a pivotal instrument of public policy, the national budget profoundly influences citizens' well-being and shapes resource distribution. Its role in fostering social and economic justice cannot be overstated. To build a more just and equitable society, it is imperative that the budget prioritizes the needs of the most vulnerable and marginalized populations. Addressing the systemic inequalities perpetuating poverty and inequality is essential to achieving this goal. This budget analysis applies a social and economic justice lens to scrutinize how effectively the national budget promotes the rights and welfare of all citizens, especially the marginalized and vulnerable ones. The budget analysis will focus on how critical areas such as education, healthcare, social protection, economic development, public debt, and fiscal sustainability had been prioritized in the proposed national budget. This comprehensive assessment will help identify strengths and areas for improvement, ultimately leading to actionable recommendations for a fairer allocation of resources.

Key Budget Highlights

The following are key highlights extracted from the 2025 National Budget :

- National output (GDP) is projected to grow by 6% in 2025, up from the reviewed 2% growth expected by end of 2024 due to likely recovery in agriculture (12.8%), electricity generation (10.6%), information technology (9.9%), and mining (5.6%).
- The 2025 National Budget rests on assumptions that Zimbabwe will receive La-Nina weather patterns, stable exchange rate, low inflation, and tight monetary and fiscal policies.
- The 2025 public expenditure ceiling has ballooned 130.4% to ZWG276.37 billion from ZWG119.97 billion projected for 2024. This illuminates the volatility of the local currency, which was officially devalued by 42.6% in September 2024.
- In 2025, government revenue collections are projected at ZWG270.3 billion while the expenditure ceiling is at ZWG276.4 billion, giving a budget deficit of ZWG6.1 billion.
- Elevated budget deficit poses a great danger to the sustainability of government finances in 2025, with debt servicing obligations now amounting to ZWG19.2 billion (7% of overall Government expenditure outlays).
- To enhance revenue collection, 2025 National Budget proposes to review the Special Economic Zone (SEZ) regimes, introduce a 10% withholding tax (WHT) on gross winnings of Sports Betting Punters, introduce a Fast Foods Tax at a rate of 0.5% on the sales value, and re-introduce duty on selected medical products.
- As tax relief measures, the 2025 National Budget proposes value-added tax (VAT) deferment for the energy sector, reducing customs duty on electric motor vehicles, reviewing the local currency tax-free threshold to ZWG2,800 per month, marketable securities be subject to capital gains WHT at a rate of 1%, reviewed the special surtax on beverages' sugar content on cordials from US$0.001/g to US$0.0005/g, and exempt liquified petroleum gas (LPG) from VAT.

2. 2025 National Budget: A Social and Economic Justice Perspective

2.1. Budget Assumptions

The 2025 National Budget projects the economy to grow by 6% in 2025, up from 2% in 2024 before it decelerates to 5% in 2026 and 2027, under the assumption of:

- Favorable rainfall patterns in 2024/25 cropping season
- Stable local currency (Zimbabwe Gold, ZWG)
- Low inflation
- Tight fiscal and monetary policies.

2.2. Macroeconomic Outlook

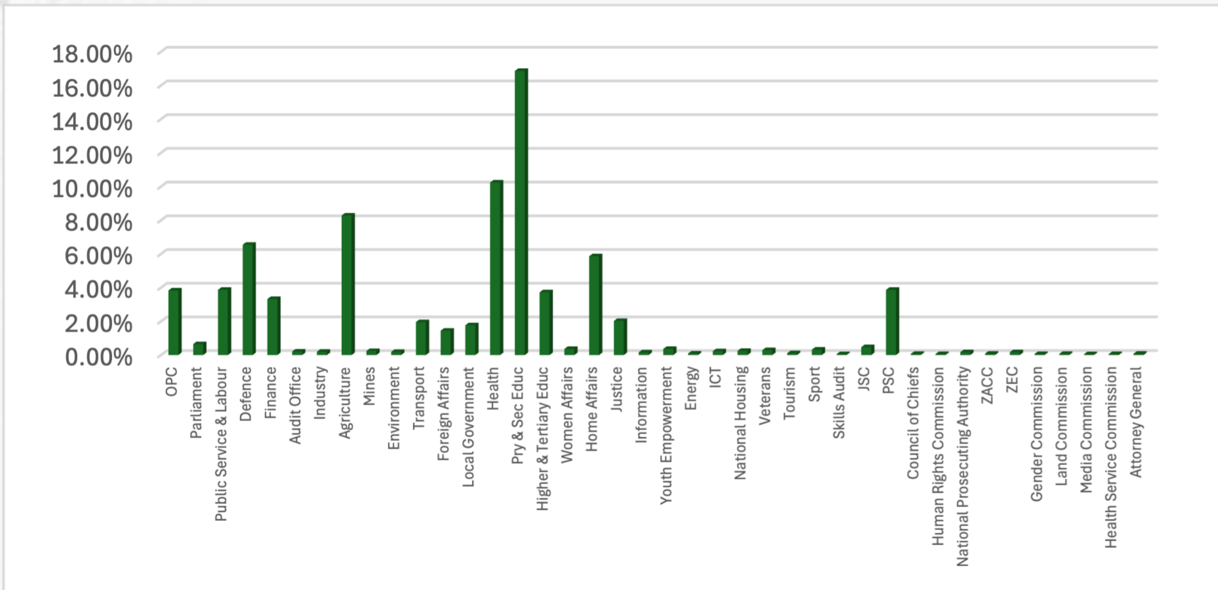
The public expects the balance of risks to the 2025 outlook to be tilted to the downside due to a plethora of factors, including but not limited to:

- High Debt overhang, high taxation, a rising informal sector economy, sustained resource leakages (corruption and illicit financial flows), subdued electricity generation, and elevated fiscal pressures (food, fertilizer, and energy imports, budget-dependent infrastructure spending, agricultural subsidies, etc.).
- Also, global geopolitical rifts are expected to continue to widen which could disrupt global supply chains, soften global commodity prices, and fuel geoeconomic fragmentation through trade restrictions.
- As such, ZWG depreciation and ZWG inflationary pressures will likely persist in 2025, particularly the first half, which coincides with the expected severe hunger peak lean season (Jan-Apr 2025) caused by the previous year's weather shocks.
- If this holds, USD demand will be sustained, and private-sector investment and hiring will be constrained, fueling poverty and inequality. In other words, there is a risk that citizens, especially low-income families, will not feel the projected high GDP growth for 2025.
- As such, there is a need for adequate political will to expedite the reform agenda (economic stability & growth, governance, and land tenure system reforms) to collapse structural rigidities causing market pricing distortions, reduce leakages of public funds, increase government efficiency, and improve service delivery.

2.3. 2025 Budget Vote Allocation

Government MDAs' total bids were over ZWG 700 billion against the available budget envelope of ZWG 276.4 billion. This illuminates rising fiscal pressures for 2025, when fiscal space is expected to be minimal. The budget votes were as follows:

Fig 1: Budget Vote Allocation (% Total Budget)

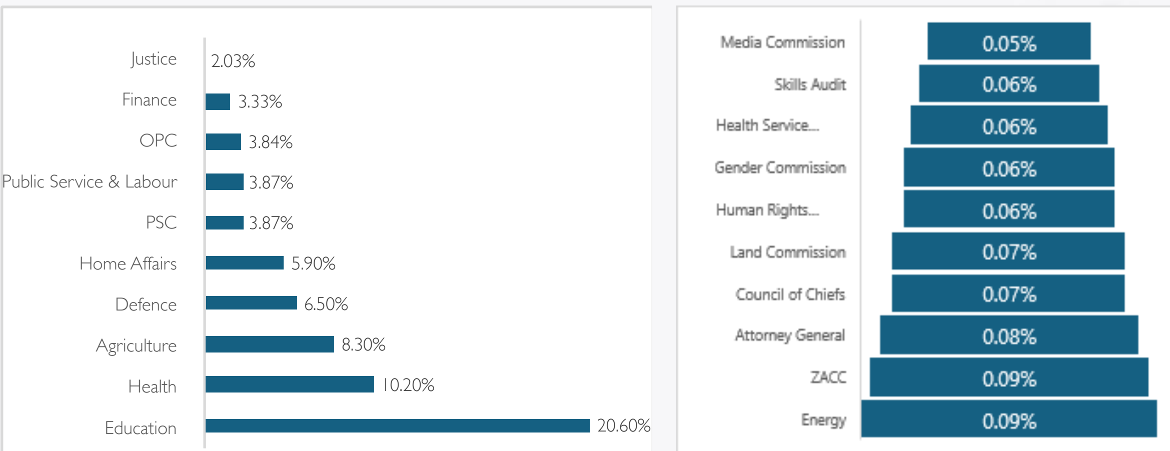


Source: 2025 National Budget Statement

The vote allocation shows that for 2025, these Government MDAs received top priority: Education (combined Primary and Secondary and Higher and Tertiary Education), Health and Child Care, Agriculture, Defence, and Home Affairs, while the following received less priority assessing from allocations. Zimbabwe Media Commission, Skills Audit, Health Service Commission, Zimbabwe Gender Commission, and Zimbabwe Human Rights Commission (refer to figure 2).

Fig 2: Top and Bottom Vote Allocation (% Total Budget)

Top 10 Allocation **Bottom 10 Allocation**



Source: 2025 National Budget Statement

Zimbabwe is a signatory to various regional and international treaties and conventions that address public spending standards and guidelines. A granular analysis of 2025 executive budget data shows the nation meeting only one (1) out of the selected five (5) variables vital in alleviating poverty and societal inequalities. Figure 3 indicates the performance of the 2025 National Budget against selected benchmarks.

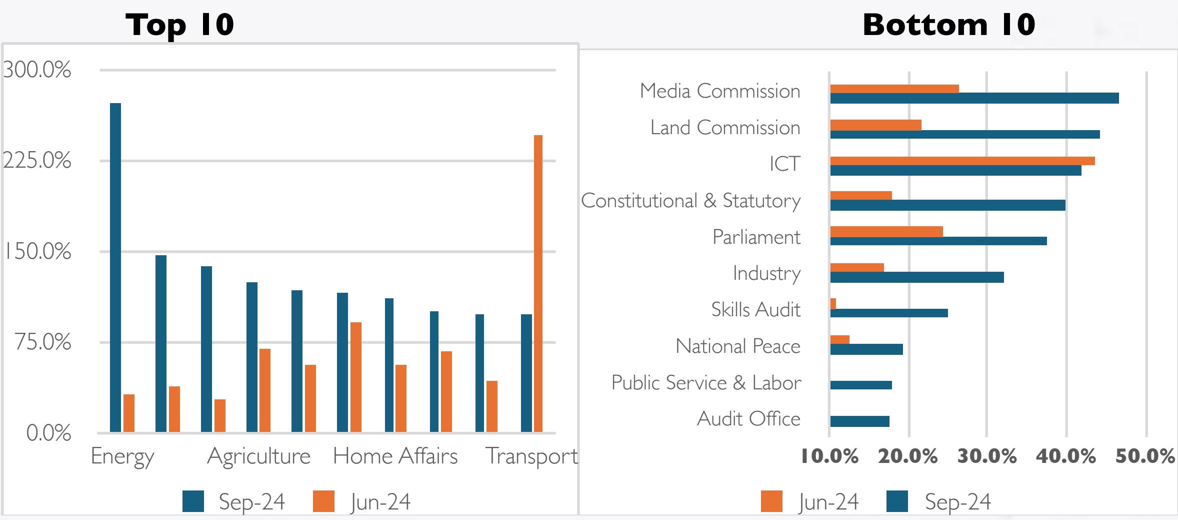
Table 1: 2025 Budget Allocation Versus Spending Benchmarks

Sector	Benchmark	2022	2023	2024	2025
Education	20% Dakar Declaration (2000)	13.4%	14.02%	17.75%	20.6%
Healthcare	15% Abuja Declaration (2001)	14.9%	10.5%	10.84%	10.2%
Water & Sanitation	1.5% Ethekwini Declaration (2008)	0.20%	3.17%	1.17%	0.9%
Social Protection	4.5% Social Policy for Africa (2008)	2.1%	1.12%	4.12%	3.9%
Agriculture	10% Maputo Declaration (2003)	13.3%	8.05%	7.39%	8.3%

Source: Compilation from National Budget Statements

Government spending meeting the 20% Dakar Declaration of 2000 for education spending in 2025 is highly commendable given the rising school dropout rate.[1] However, other critical social sectors in dire need of funding, such as healthcare, water, and social protection, were underfunded. As the above table demonstrates, allocation for Health and Child Care has sharply declining since 2022 from 14.9% to 10.2% in 2025. This is against a backdrop of sharply declining health sector pooled funds from different donors that are coming to an end in 2025 – notably the Health Resilient Fund set to end in 2025.

Fig 3: 2024 Budget Utilization (% Allocated Budget)



Source: 2025 National Budget Statement

As of September 2024, no critical social sector featured in the top ten (10) budget utilization, as shown in Fig 3. The figure shows low disbursement to critical social sectors, particularly health, education, and housing. These sectors are missing from the top 10 spending categories, while others, like social welfare, are in the bottom 10 category. Also, critical oversight and accountability institutions like the Parliament of Zimbabwe and the Audit Office are in the bottom 10 of budget utilization. This promotes resource leakages through corruption, thus undermining the principles of transparency and accountability as espoused in the Constitution.

[1] https://zimcodd.org/wp-content/uploads/2024/11/The-Weekend-Reader-2025-Budget-Expectations.pdf

2.4. *Revenue Mobilization and Tax Relief Measures*

Tax Proposal	Comment
10% withholding tax (WHT) on gross winnings of Sports Betting Punters	A tightening macroeconomy causing a low generation of decent jobs is driving many, particularly young people from low-income families, into the betting world. It is also true that some betting punters from privileged groups are amassing income and wealth from their betting winnings. This is one of the factors contributing to deep inequality. The ongoing constrained fiscal space the nation is experiencing warrants the betting industry to be compelled to pay its fair share. If implemented with fair tax-free thresholds, the policy step is a progressive and non-inflationary way of mobilizing domestic resources.
Fast Foods Tax rate of 0.5% on the sales value	In 2024, authorities introduced a sugar tax on beverages, a policy that increased the monthly food bill, particularly for low-income families. Generally, low-income people have a high marginal propensity to consume – spend little of their income on future consumption. As such, perpetual introductions of sin taxes on food and drinks disenfranchise low-income earners and young children, particularly those in rural areas. As such, authorities need to substantially invest in alternative ways of reducing the scare of food-related health issues. These can achieve the same goal without possibly trapping many people in a vicious cycle of poverty. However, as announced in the budget statement, a 50% reduction in special surtax on beverages' sugar content in cordials is a welcome development that cushions the poor.

Review of Special Economic Zone (SEZ) Incentives • To reduce the degree of export orientation from 100% to 80% • To remove the tax holiday for the first 5 years and replace it with an effective Corporate Income Tax rate of 15%. • To remove tax exemption on Withholding Taxes and introduce a lower Withholding Tax of 10% • To exclude petroleum, as well as extraction and exploitation of all mineral resources from SEZ Status	The review of the SEZ incentives is a move in the right direction. While economic statistics show that private sector businesses face a constrained business environment, some sectors have not contributed their fair share to taxes, particularly the mining sector. Foreign mining companies have been heavily protected and benefit from some legislation. Yet some of these companies are champions and funders of illicit financial flows like gold smuggling. The mining communities are left with a degraded environment, faced with polluted air and sources of water for both humans and animals.
Re-introduction of duty on some medical products.	The 2025 allocation to the public health budget has not met the public's expectations. These expectations are informed by targets set in key policy documents such as the National Development Strategy 1 (NDS1) and the National Health Strategy (NHS). Healthcare costs remain high. So, removing the existing suspension of duty will partly put pressure on healthcare costs to skyrocket and reduce access by disadvantaged groups. As such, to help reduce health costs and improve access, more medical drugs and equipment must be duty-free.
Deferment of value-added tax (VAT) for the energy sector	The tax measure is a positive policy development that seeks to address the severe electricity shortages experienced in the economy due to low generation. This is affecting industry and households as they face prolonged hours of blackouts. Electricity is a critical input; its shortage is an albatross to domestic production. This situation sustains inflationary pressures in the economy, eroding disposable incomes. By deferring VAT, increased energy investments and importation of enabling equipment are likely. This move can also catalyze the energy sector's greening and help achieve climate-change goals.

Reduction of customs duty on electric motor vehicles from 40% to 25%	Again, this measure is welcome as it promotes the greening of the transport sector and reduces dependence on fossil-powered engines. Zimbabwe, a petroleum net importer, will benefit from increased absorption of electric vehicles, as this can help reduce its fuel import bill and save foreign currency. Also, the decision to exempt from withholding tax any supply of recyclable plastics, provided the aggregate amount supplied does not exceed US$5,000 per year, is welcome. It will help reduce pollution of the environment.
A tax-free threshold of ZiG2,800 per month	This proposed tax-free threshold is inadequate, given the fluctuations of the local currency. As explained earlier, depreciation and price inflation will quickly reduce this level.

2.5. *Inequality and Poverty Reduction*

The 2025 national budget made significant strides towards reducing inequality and poverty. Prioritization has been given to social protection programs such as Basic Education Assistance Model (BEAM), Food Mitigation, Health Assistance, Support to elderly persons, Sustainable Livelihoods, and Support to the PWDs, to mention a few. ZIG 4.9 billion, equivalent to US$136.2 million, was given to the Ministry of Public Service, Labour, and Social Welfare.

Food Deficit Mitigation: From July to October 2024, at least 6.2 million rural citizens were reported food insecure. In response, cereals equivalent to 7.5kg bag per month per individual were distributed to food insecure people, including schools under the School Feeding Programme. While this is a significant stride, the 2025 National budget must widen its catchment area to include those living in urban areas. This is because, according to the 2024 Zimbabwe Livelihoods Assessment Committee (ZimLAC), 7.6 million people (50 percent of the total population) in the country are facing food insecurity (6.2 million rural and 1.4 million urban). Thus, prioritization of the urban area without neglecting the rural areas will be pivotal in inequality and poverty reduction. As such, the 2025 national budget of ZiG 813 million has been set aside to support food-insecure households, targeting 6.2 million people in rural areas and 1.4 million people in urban areas.

Harmonized Cash Transfer (HCT): The 2025 budget noted that approximately 1.7 million individuals were registered for the Urban Cash for Cereals Programme, which will provide cash transfers in urban areas. Nearly 30,000 people have received cash transfers through One Money. The target is to provide cash transfers at an equivalent of US$8 per individual per month. Considering the cost of living, it would be to argue that the amount given to people for HCT is too meager to sustain them and is not in sync with the cost of living.

BEAM: BEAM is pivotal in fostering social and economic justice by narrowing the educational inequality gap. The 2025 budget has set aside resources for BEAM, and this support goes towards the vulnerable and marginalised children. A total of 1.5 million children benefited from BEAM, and efforts are underway to clear arrears, which have accumulated to US$63 million by 2025. The same figure is expected to be assisted in 2025, with 1,031,250 learners in primary schools and 468,750 learners in secondary schools, giving a total of 1,500,000 beneficiary learners to be assisted. While this is sound and fits under the developmental policy, it is imperative to note that timely disbursement of BEAM funds and a departure from the traditional late disbursement of funds will be integral.

Health Assistance (HA): HA strives to protect the health rights and welfare of the elderly, Persons with Disability (PWDs), and other vulnerable groups. This is because universal health coverage is hinged on optimum health access for vulnerable and marginalized groups. For this reason, the 2025 budget targets 30,000 beneficiaries under the Assisted Medical Treatment Orders. The budget will prioritize plans to establish mobile healthcare facilities in areas lacking primary and maternal healthcare services. ZiG593 million has been set aside to support providing health care services to the disadvantaged. However, given the current expenditure rate, it is justified for one to argue that while this is a noble initiative to reduce poverty and inequality, the government must ensure timely disbursement of health budgeted funds.

Persons with Disability (PWDs): Although PWDs have been mentioned in the budget, it is worrying to note that their issue has always been treated under the charity model rather than a human rights model. While this submission is controversial, examining the 2025 budget is a clear testimony. Only 150 assistive devices were purchased in 2024 for PWDs. At the same time, huge expenditures were witnessed for purchases of Chiefs vehicles. The expenditure prioritization matrix shows that the government has yet to treat PWD cases under the human rights model.

Gender Responsive Budgeting: The 2025 National Budget has allocated a substantial amount of ZiG196.9 billion to support gender-sensitive programs and gender-specific expenditures. This investment reflects the government's commitment to advancing gender equality and empowering all Zimbabweans. Promoting equity and inclusivity is vital to the national budget and essential for fostering gender equality, sustainable development, and social justice. To achieve this, the government must increase investments in programs that benefit marginalized groups, including women, girls, and people living with disabilities. This means utilizing all the resources earmarked for gender-sensitive programs and realigning national spending priorities to gender demands. The 2025 budget also noted that ZiG20.1 billion was used for gender sensitives programs from January to September 2024.

2.6. Public Debt and Fiscal Sustainability

Public and Publicly Guaranteed (PPG) debt stood at US$21.1 billion as of September 2024, of which external debt amounted to US$12.3 billion and domestic debt at US$8.7 billion. A granular analysis indicates that Zimbabwe is facing a huge debt overhang, with 61% (US$7.5 billion) of its external debt being principal arrears, interest arrears, and penalties alone. For the 2025 fiscal year, the budget deficit is projected at ZWG6.1 billion. As alluded to earlier, the elevated budget deficit poses a great danger to the sustainability of government finances in 2025, with debt servicing obligations now amounting to ZWG19.2 billion (7% of overall Government expenditure outlays). Consequently, the nation faces resource diversion toward debt repayments, subdued social service delivery, crowding out of private investment, constrained consumer aggregate demand, and environmental degradation, among other effects. ZIMCODD undertakes to publish a standalone, comprehensive analysis of the 2024 PPG debt.

2.7. Social Service Delivery

Social service delivery plays an integral role in Zimbabwe's development agenda. The well-being and quality of life of citizens hinge on effective services in key areas such as healthcare, education, water and sanitation, and social protection. These services are pivotal in addressing Zimbabwe's socio-economic challenges and are essential for fostering sustainable development. The importance of reliable social service delivery in Zimbabwe cannot be overstated, particularly considering the challenges being experienced in the country, such as economic instability, food insecurity, and a noticeable decline in service quality. Many Zimbabweans, especially the most vulnerable and marginalized populations, are currently reliant on social services that are often inadequate and unreliable. Therefore, the government must prioritize enhancing social service systems to promote human capital development and combat poverty and inequality. For this reason, ZIMCODD believes that an examination of the 2025 national budget allocations towards social service delivery is essential. The 2025 national budget social service delivery allocations are hereunder:

Health was allocated ZiG28.3 billion, equivalent to US$785.9 million. However, the resources earmarked for health are not sufficient to finance the attainment of the policy goals and objectives stated in the National Health Strategy (NHS) (2021– 2025), as outlined in the Investment Case for the NHS (2021-2025). The allocation falls short of the bare minimum of earmarking at least 15% of the budget to health as agreed under the Abuja Declaration.

Primary and Secondary Education was allocated ZiG 46.6 billion, equivalent to US$1.3 billion. While this signifies substantial progress towards fulfilling international benchmark allocations, it is prudent to note that under-expenditure and the government's failure to disburse the resources timely have always been a significant impediment to quality education. Higher and Tertiary Education, Innovation, Science, and Technology Development was allocated ZiG10.3 billion, equivalent to US$286.5 million.

National Housing and Social Amenities was allocated ZiG 696.2 million, equivalent to US$ 19.3 million, which is insufficient to satisfy the national housing demand. Zimbabwe faces a significant housing shortage, with an estimated 1.25 million units needed to address the current deficit[2]. This translates to a national backlog of approximately 5 million citizens, or over 40% of the total population, lacking decent housing.

Energy and Power Development was given ZiG 259.8, equivalent to US$7.2 million. This is a meager allocation if one considers the country's power and electrical crisis. Electrical blackouts occur for over 17 hours daily, undermining the performance of industries and businesses.[3] The upgrades at Hwange and Kariba have not provided permanent relief and solutions.

2.8. *Food Security and Nutrition*

Commitments to ensure food security and nutrition are visible across the national budget. As also reflected in the previous section where positive steps have been taken to ensure food deficit mitigation. The 2025 budget has also set aside ZiG420.7 million to support Agricultural Engineering, Mechanisation, and Farm Infrastructure development. Furthermore, the government will promote local development and adoption of SMART technologies and agricultural practices, leveraging research efforts from local institutions. This will be complemented by dam construction, irrigation development, rural development, contracting, and grain procurement for the Strategic Grain Reserve, National Enhanced Agriculture

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[2] *Homeless Families Now a Growing Issue in Zimbabwe — Global Issues*

[3] *Zimbabwe: Increase levels of load-shedding, further blackouts and disruptions likely through at least 2024 /update 3 | Crisis24*
Zimbabwe's energy crisis deepens – The Zimbabwe Mail

Productivity Scheme, and Agriculture Productive Social Protection Scheme. All these interventions and efforts will benefit from the ZiG 22.9 billion, equivalent to US$ 636.4 million allocated to the Ministry of Agriculture. For the 2024/25 agricultural season, the budget propounded that the government will finance the season utilizing five schemes: government, NEAPS, ARDA, private sector, and self-financing. The Pfumvudza/Intwasa program targets 1.1 million hectares to produce cereals, cotton, oilseeds, and pulses during the 2024/25 agriculture season. To date, the government has distributed inputs worth ZiG3 billion distributed as follows:

- Maize seed ZiG532.2 million.
- Sorghum seed ZiG57.2 million.
- Basal Fertilizer ZiG1.7 billion.
- Top Dressing ZiG687.6 million.

However, food security and nutrition are attainable because of several factors, not just budgetary allocations. These factors include timely resource disbursement, nonpartisan seed distribution, and deterring corruption and resource leakages.

2.9. Waste Management

Effective management of public finances is critical for promoting economic growth, reducing poverty, and improving the overall quality of life for citizens. However, one of the major challenges facing Zimbabwe and many emerging economies is the issue of budget expenditure waste. Budget expenditure waste refers to the inefficient, ineffective, or unnecessary use of public funds, resulting in a misallocation of resources and a lack of value for money. In Zimbabwe, consequences of budget expenditure waste are far-reaching and have significantly impacted on national development trajectory. This is because when public funds are wasted, it means that essential public services and infrastructure are underfunded, leading to reduced economic growth, increased poverty, and decreased quality of life for citizens. Therefore, it is imperative that the government prioritize budget expenditure waste management to ensure that public funds are used efficiently, effectively, and for the intended purposes. This requires strong institutions, transparent budget processes, and robust accountability mechanisms that have the potent to curtail Illicit Financial Flows (IFFs). IFFs have become problematic and a wicked–problem as Zimbabwe is estimated to be losing a significant amount. It is estimated that between 2000 and 2020, Zimbabwe lost over $32 billion through illicit financial flows[4]. This figure highlight the need for urgent action to address this issue and the aforementioned measures are sufficient.

2.10. The 2025 Budget and The National Development Agenda

The 2025 national budget has a national development agenda flavor that aligns with the national aspiration of attaining an upper-middle-class economy by 2030. However, the resources given to critical sectors or pillars of the NDS1 are not in sync with the resource requirements needed to attain policy goals and objectives. As reflected above, housing and amenities are not being sufficiently funded, as are health, energy, and power development. Social protection, though recognized, has always been left out for development partners as most of its clusters are primarily humanitarian. In addition, failing to invest in health services adequately poses a significant threat to human capital development and well–being. Since 2021, the government has yet to meet the expenditure requirement in the Investment Care for the NHS if it is to provide quality health services adequately. While the government has made notable progress in

[4] Economic Governance Watch 10-2022 - Illicit Financial Flows | veritaszim

e-governance services in the registry department, Vehicle Inspection Department (VID), and Immigration. The success can be viewed as a springboard in propelling the national towards digital transformation but still insignificant in position Zimbabwe in the race for the Fourth Industrial Revolution (4IR).

3. Conclusion

The 2025 National Budget was presented when the nation battles a tightening macroeconomic environment characterized by frequent local currency fluctuations and incessant inflationary pressures. For 2025, there are some upside risks to the 2025 outlook such as projections of slowing global inflation, bullish global gold price, the balance of risks is tilted to the downside. Consequently, there is a need to increase spending on the social sectors to cushion the vulnerable groups as the nation expedites its reform agenda outlined under the Structured Dialogue Platform for the Arrears Clearance and Debt Resolution Process. Industrialisation and employment creation must be at the centre of the national development agenda and the national budget must reflect this as a priority. Taxing and overtaxing unemployed population is a social and economic injustice. Equally, it is silent injustice to overtax the few taxable population groups. Domestic resource mobilization approaches must broaden beyond taxing individual citizens.