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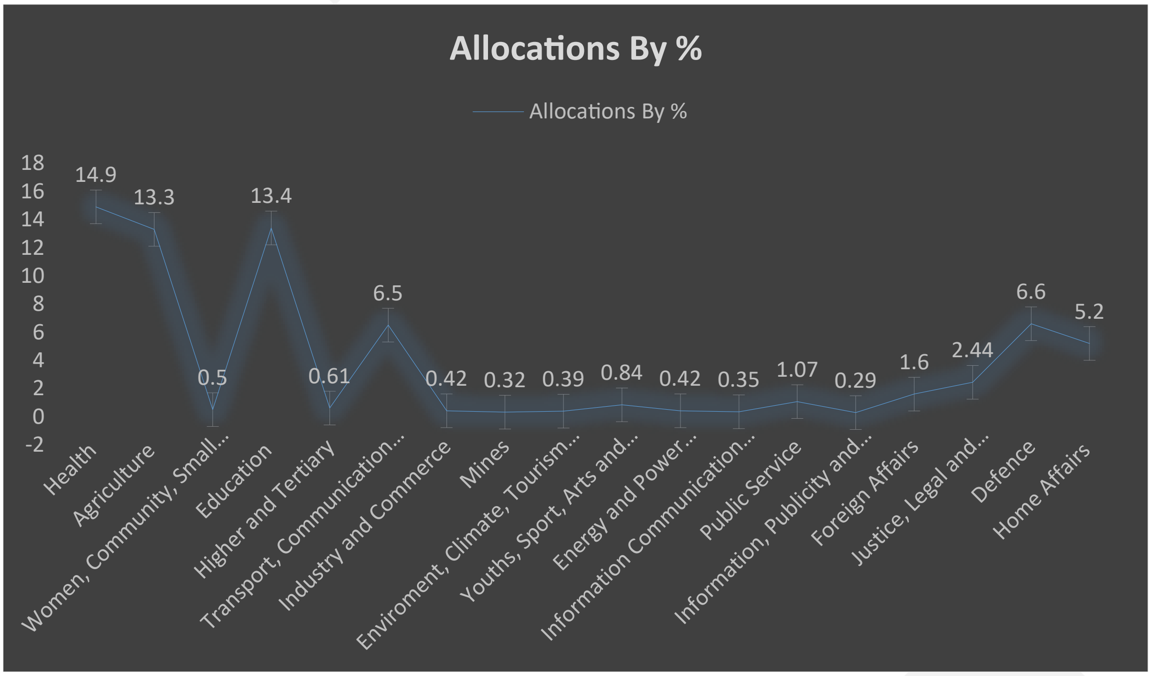
THE Weekend Reader

"Your Weekly Read on Debt, Development & Social & Economic Justice"

Critical Concerns the 2022 National Budget Should Address

The 2022 National Budget Prioritise the following with respect to allocations.



Source: Compiled by ZIMCODD From 2022 National Budget

Reflecting on the 2022 National Budget Statement presented in Parliament last week, ZIMCODD has made ten points that need to be addressed to make the budget pro-people, realistic and acceptable.

1. Increase Civil Servants' Salaries: *With a growth projection of 7.8% for the year 2021 the government should increase salaries for civil servants.* The growth projection in the budget statement builds confidence that Zimbabwe's economy is among the high performers under difficult COVID-19 conditions and well above the 3.4% average growth for Sub-Saharan Africa'. It is contradictory then that the average salary in Zimbabwe is about ZWL$18,000 per month (US$180 at the official rate). In South Africa, the average salary paid to employees in the formal sector was R23,526 (US$1,568.4) in May 2021 whilst in Zambia the national average salary is K4,393 (US$258). With the severe cost of living crisis and rising household debt the 2022 National Budget must outline measures to address civil servants' salary concerns.

2. Address the structural drivers of inflation: *The 2022 National Budget must outline measures to protect Zimbabwean consumers and constrain corporate power to raise prices.* Furthermore, the Budget must clarify measures to constrain excessive money creation by the government itself as well as a revamp of the failing foreign exchange reforms, to sanitize the enduring parallel foreign exchange market. Government's progress in slowing down the annual inflation rate from 837.5% in July last year to 58.4% in November 2021 shows progress in the right direction. However, for many households experiencing high costs of living, this progress is not enough without constraining the power of a few market actors to raise prices with impunity. The government should act on the monopoly-controlled banking, retail, fuel and telecommunications sectors that are deepening poverty and rising debt for Zimbabwean households. Sustained price increases from these sectors in turn trigger price hikes in rentals, transport, medication and even government levies.

3. Reduce the tax burden: *Government's projected revenue means that government can afford to reduce the tax burden on Zimbabweans.* The 2022 National Budget should therefore review the proposals to increase withholding tax from 10% to 30% and to impose a US$50 levy on new cellular handsets. The cellphone tax is exclusionary and alienates low-income earners from tech-based services such as banking, access to information and communication. The heavy tax burden on Zimbabweans can also be reduced by measures to ensure that corporate actors pay their fair share of taxes and democratize the granting of generous fiscal exemptions and incentives particularly to mining interests, which prejudice the country of millions in tax revenue.

4. Resolve the debt question: *The national budget should make clear proposals on how to arrest the debt burden that continues to choke the country including parliamentary oversight and political will to address corruption.* Between September 2020 and September 2021, Zimbabwe's public external debt stock grew from US$10.5 billion (77% being arrears) to an estimated US$13.7 billion, comprising public external debt of US$13.2 billion and domestic debt of US$532 million (ZWL$46.6 billion). The total public debt represents about 103% of GDP. This is higher than the 70% threshold provided for in the Public Debt Management Act (Chapter 22:21). Some of the new debt stock has been accrued without Parliamentary approval as stipulated by the Public Finance Management Act.

5. Investment in Sustainable peace *In the absence of war, Zimbabwe should invest in sustainable peace initiatives such as broad-based and inclusive national dialogue process to ease political tensions and align all Zimbabweans behind a shared vision.* The political tensions that continue to thrive in the socio-political space of Zimbabwe have had a bearing on unjustified financing for peace and security. Even in a context of a health pandemic, the Budget Statement accords near equal appropriations to the Health Ministry as it does the Peace and Security cluster (ZWL49.4 billion, Ministry of Home Affairs and cultural heritage; ZWL61.5 for the Ministry of Defence and War Veterans).

6. Prioritisation of the informal sector: *The informal sector must be central to the budget's core assumptions and the allocation of ZWL$4.7 billion for the Ministry of Women, Community, Small and Medium Enterprises is too small for a sector that support the majority of Zimbabweans.* With the second highest levels of economic informalisation per GDP, second only to Bolivia, the budget should prioritise this sector to spur economic growth. According to an IMF (2018) study, the informal economy transacts more in terms of monetary value than the formal economy with an estimated US$1,5 billion circulating in the informal sector while 70% - 90% of Zimbabweans derive their livelihoods from the informal sector.

7. Support local value chains: *The 2022 spending plans should invest in and support local businesses and entrepreneurs to contribute to government's value addition thrust to reduce imports of products that can be manufactured locally.* Although government's policies of value addition and beneficiation in agriculture and mining are broadly welcomed, the allocation of ZWL$3.9 billion to the Ministry of Industry is vastly inadequate to support Zimbabwean businesses to participate in the unfolding 4th industrial revolution and the opening up of the Zimbabwean economy through African Continental Trade Agreement.

8. Adequate financing for devolution of national development: *The budget should provide adequate funding for devolution so as to establish locally accountable structures through which public funding decisions can be democratically agreed, allocated and monitored.* The increased allocation towards devolution from ZWL$19.5 billion to ZWL$42.5 billion is a welcome development. There is need for a clear allocation criterion that promotes even growth, timely disbursements and maximum utilisation. This allocation process must be replaced by a more consultative and transparent process where citizens and not central government establish priorities for devolution funds.

9. Invest in young people: *Government should increase its allocation of ZWL$7.8 billion to Youth, Sport, Arts and Recreation – which targets rehabilitation and upgrading of sporting facilities as well as youth entrepreneurship initiatives such as "youth in mining" and "youth in agriculture".* The allocated resources are inadequate in a context were 65% are young people under the age of 35. Overall, there is underbudgeting in education support programmes such as Basic Education Assistance Module (BEAM) and loan financing for tertiary students. Government should provide adequate financing to its own banking assets, the Land Bank, Women's Micro-finance Bank and the Empower Bank to match the young entrepreneurs' financing needs.

10. Ensure COVID preparedness: *With the continued risk posed by the pandemic, an accountable COVID funding pool that is ring fenced is a better option that the Contingency Fund outlined by the Minister to ensure vaccine equality and timely responses to pandemic emergencies.* Additionally, the common COVID-19 fund should provide specific support for households and businesses to recover from the second order impacts of the COVID-19 pandemic such as loss of business during lockdowns, disruptions to supply chains, household indebtedness etc in a gender inclusive and accountable manner.

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