ZIMCODD
ZIMBABWE COALITION ON DEBT & DEVELOPMENT

2021
NATIONAL BUDGET IMPLEMENTATION FACTSHEET

SEPTEMBER 2021

1. INTRODUCTION

As an essential fiscal policy instrument, the national budget is used to advance the national vision, growth furtherance and comporting and aligning the developmental prospects of the nation. A budget audit is procedurally done at the end of the economic year to ventilate the budget implementation process and budget performance; thereby creating a basis for holding government accountable. In the interest of the public, it is ZIMCODD's fiduciary responsibility to evaluate and ascertain resource allocation efficiency as well as resource sufficiency in fulfilling the objectives of the national budget. This analysis strengthens the capacity of citizens to demand transparency and accountability from duty bearers on public policy choices and influencing the budget making process to allow for greater inclusion and participation in economic governance, as well as setting basis for policy advocacy. Accordingly, this budget implementation fact sheet presents the budget context, the budget theme and assumptions, the objectives, the allocations, and budget performance to date.

2. BUDGET CONTEXT

The 2021 national budget is premised on the National Development Strategy 1 (NDS1) (2021-2025) and supposedly capitalize on the 'successes' of the Transitional Stabilization Programme (TSP) (2018-2020)[1], in support of Vision 2030[2].

The 2021 national budget is the first fiscal blueprint in a series of 5 expected budgets during the five-year tenure of the NDS1. However, as much as the TSP is widely publicized as a success by the government, factually, it set a bad footing for the 2021 national budget as it grossly missed its revenue targets[3], logged a surge in total public debt stock[4], recorded negative growth in 2019 and 2020, registered worsening extreme poverty (28% in 2018 – 34% in 2019 with 1million more people falling into extreme poverty in 2020)[5], rising unemployment (4.8% in 2014 – 16.4% in 2019)[6], food insecurity[7], emergence of the 'working poor' class, unstable macro-economic fundamentals, a slump in industry capacity utilization (48.2% in 2018 – 27% in 2020), growth of the informal sector, an ill-equipped health sector and a dysfunctional education sector amongst many ills.

The budget is also implemented amidst COVID-19 lockdowns that interrupt productivity and economic viability – rendering many jobless and, in need of social safety nets. Policy-wise, the 2021 budget is expected to address these competing socio-economic challenges. However, government's assumption that the TSP was a success is a major digression from socio-economic reality and is likely to skew budget allocations and overall performance of the budget.

1. The TSP was meant to reform and prepare the economy for a protracted growth period towards attaining a Prosperous and Empowered Upper-Medium Income Economy by 2030 (Vision 2030).
2. Vision 2030 is themed 'Towards an Upper-Middle Income Economy by 2030.'
3. The actual revenue was 21% and 17.8% against targets of 22.3% and 22.2% for 2018 and 2019, respectively.
4. Disregarding public debt accrued in 2020, the total external PPG for 2019 escalated by 2% from US$ 7.94 billion in 2018 due to arrears and penalties on outstanding debt (2019 Public Debt Bulletin).
5. A total of 49% of the population is reportedly in extreme poverty (World Bank 2021).
6. The closure of companies and during the covid-19 lockdown fueled unemployed. Also, the actual unemployment rate is definitely high as official statistics are based on an unconventional definition of employment.
7. About 7.7 m people require food aid.

3. BUDGET THEME AND ASSUMPTIONS

The budget theme speaks to government's aspirations of establishing bounciness, vivacity and robust economic rebound. However, given the recession of 2019 and 2020, the budget is expected to prioritize recovery of key economic sectors first as anchors of growth, and use the gains thereof to reinforce economic resilience going forward. Oddly, the budget runs with the theme, 'Building Resilience and Sustainable Economic Recovery,' contrary to the correct sequencing of economic reforms critical in reviving the economy. Whereas the government perceives the TSP as a success and a sound foundation for the 2021 national budget, economic indicators say otherwise – thereby setting a flawed foundation for the budget. The government was supposed to adopt the concept of reactive policy sequencing based on the notion that early events (failure of the TSP) set in motion causally-linked reactions and counter-reactions that are not necessarily in the same direction, but open to a change in direction (Daugbjerg 2009)[8]. Apparently, government pursues Vision 2030 with a straight-line mentality where all policies do not fail and policy progression is without redress of policy convulsions.

The budget is also pinned on assumptions whose realisation is unqualified. Allegations of the RBZ borrowing to sponsor the liquidity of the auction system deflates the confidence and the expected sustainability of the auction market. Also, the second and third waves of COVID-19 suppressed economic recovery, debunking the assumed complete economic recovery. The supposed recovery of aggregate demand is not pinned to any viable intervention whereas price-stability is threatened by a negative exchange pass through in the parallel market. The materialisation of mining investments is subject to apt property rights reforms and transparency in the sector which are still pending. Notable is that the domestication of value chains requires a radical industrialization plan currently non-existent in Zimbabwe. Suffice of the good rains anchoring the growth of the agriculture sector, the inarticulate assumptions are divorced from the unfolding socio-economic realities, hence the inequities evident in the budget allocations.

8. Daugbjerg, C., 2009, "Sequencing in public policy: the evolution of the cap over a decade," The Journal of European Public Policy, 16(3):395-411.

4. BUDGET OBJECTIVES

The ZWL 421.6 billion 2021 national budget broadly seeks to:

i. Foster inclusive growth[9] and macro-stability (monetary and fiscal policy),
ii. Develop and support productive value chains (industrialization, infrastructure development[10], youth and women empowerment, capacitating SMEs, investment promotion, financing agriculture and establishing a commodity exchange),
iii. Optimize the value of natural resources (mining and tourism), and
iv. Advance engagement and re-engagement (diaspora engagement and external debt clearance).

Specific budget goals include attaining 7.4% growth, recover 150 000 formal jobs, increase the GNI per capita income from USD1 156 to USD 1 835, contain inflation to 135% and stabilize the exchange rate. Generally, the budget's objectives tally with the socio-economic needs in the economy and what matters is whether the allocations edify the implementation and performance of the budget.

10. Inclusive growth through devolution, human capital development, well-being and social protection (access to healthcare, basic and higher education.

5. BUDGET ALLOCATIONS

The budget allocations do not match the word-perfect objectives (see figure 1). Only agriculture met the international budget allocation benchmark whereas the Ministries of Health and Child Care, Education, Infrastructure and Social Policy Ministries are underfunded (see figure 2).

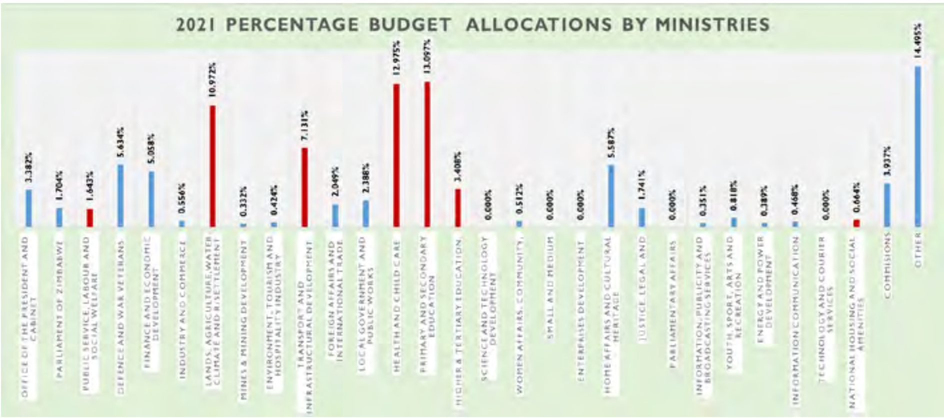

Figure 1: 2021 National Budget allocations per government ministry/agency as a fraction of the total budget (Z$421.6 billion)

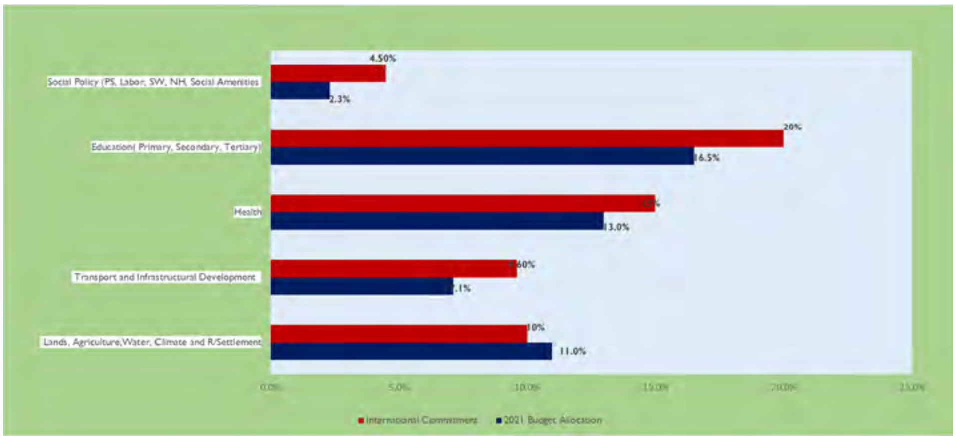

Figure 2: Budget allocations vs international budget allocation benchmarks

Whereas a few ministries (Health and Child Care, Defence and War Veterans, Finance and Economic Development and the Home Affairs and Cultural Heritage), recorded an increase in their budgetary percentage shares compared to 2020, the only justified allocation hikes are for the Health and Child Care and the Transport and Infrastructure Development Ministries given the defined health and infrastructure backlog and needs.

All the other ministries and government agencies recorded a cut in their percentage budget allocations – a sign of a shrinking fiscal space. The Ministry of Women Affairs, Community and SMEs Development got a meagre 0.512% allocation to cater for women (52% of the population) and SMEs (more than 60% of the economy) that accommodate the poor and the unemployed and support 40% of the GDP[11] .

The paltry 0.0818% allocation to the Ministry of Youth, Sport, Recreation, Arts and Culture disregards that youth account for 67.7% of the population. Oddly, the budget has unjustified allocation increases for the Defence and War Veterans[12], Finance and Economic Development and the Home Affairs and Cultural Heritage Ministries.

The budget refers women and youth to the National Venture Fund (NVF) for project funding, yet the NVF is inaccessible to remotely located women and youth-owned SMEs in the countryside. Also, the women-owned and youth-owned business mostly fail to meet the required criteria set by the NVF. This translates to exclusion and fuels an enclaved economy, contrary to the proposed budget objectives. Given the inequities in the allocations, it is obligatory to discuss the performance of the budget.

11. Maketo, J.P and Mutizwa, B. (2021) Women Development Fund Accessibility Rapid Survey, ZIMCODD, Harare.
Mutizwa, B. (2021). The Shadow Pandemic: Examining the Impact of COVID-19 on Zimbabwean Informal Sector in Chiredzi District. International Journal of Humanities, Management and Social Sciences, 4(1) 1-10
12. This is akin to the militarization of the economy.

6. PERFORMANCE OF THE BUDGET

6.1 Growth

The Medium Term Budget and Economic Review (MTBER) adjusted the projected Gross Domestic Product (GDP) growth for 2021 from 7.4% to 7.8% based on firming international mineral prices, resumption of the domestic economy after the loosening of COVID-19 restrictions, recovery of the domestic aggregate demand, stability of the macro-economy (exchange rate and inflation), and domestication of value chains, re-opening of the global economy and tourism, a bumper harvest, improvement in revenue collection, materialization of mining projects and the control of wasteful expenditure.

The estimated GDP growth seems ambitious and overstated as it not only surpasses the estimates of the World Bank, International Monetary Fund (IMF), and the African Development Bank (AfDB) – but disregards the reality of critical growth factors that point to a moderated economic performance.

Although the World Bank estimated a 30% metal price increase and a 14% agricultural price surge, Zimbabwe is still to invest in productive value chains related to mining and agriculture thereby limiting not only the potential gains from the same sectors, but the sustainability of GDP growth. A reversal of metal price gains and a poor agricultural season might dampen growth thus a sustainable growth anchor (structural transformation) must be pursued.

Key infrastructure gaps such as power, water and road networks limit meaningful investment in mineral beneficiation and agro-processing. Policy inconsistencies, country risk and uncertainties around the macro-economy limit green investment in value addition.

Area	Performance
Recovery of Aggregate Demand	• The assumption that domestic aggregate demand is to recover in the second half of 2021 is impossible as disposable income remains subdued given meagre salaries below the poverty datum line for most workers in the public and private sector. • The Total Consumption Poverty Line (TCPL) for October 2021 stood at Z$7 118.00 per person (ZIMSTAT October 2021) thus Z$42 708 is required for a family of 6, an amount exceeding the average Z$30 000 net monthly income for most formally employed workers. • The government did not make a provision for salary increases in the MTBER; neither does it review upwards the tax-free threshold implying that aggregate demand remains downcast – debunking the contribution of aggregate demand in propping up GDP growth.
Resumption of the domestic and global economy	• The roll out of COVID-19 vaccination programme has given hope of the resumption of the global and local economy, same as the tourism sector. However, the slow jab uptake due to high vaccine hesitancy, scepticism, and poor logistics on government's part threatens the speedy recovery of the economy. • As of 7 November, approximately, 3.3 million people have been vaccinated against a target of 60% of the population (to attain herd immunity) by December 2021. • It is highly likely that the effects of COVID-19 will not quickly wane as assumed and the economy might remain constrained longer since Zimbabwe is still under lockdown level 2

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Macroeconomic Stability	• There has been a reduction in inflation from 837.5% in July 2020 to 106.6% in June 2021, 56.37% in July, 50.24% in August, 51.55% in September and an increase in October to 54.49% • Despite inflation growth moderating since the turn of second half year 2020, no welfare benefits (affordability of goods and services) accrued to the citizens. • Government upholds the continuation of the auction market system as a stabilizing strategy although huge premiums exist between the auction market rate and the parallel market rate thereby causing price distortions. • While the government maintain that inflation has decreased and the exchange rate has stabilize the lives of the ordinary citizens have gotten worse. The ruling exchange rate is at ZWL 97.1361 (November 2021) while the parallel market rate is at ZWL 200.00 giving a variance of over ZWL 102.8639. To this end, the stability of the exchange rate is a choreographed stunt as the auction market is not an open market. Prices continues to skyrocket with majority of civil servants earning salaries below poverty datum line for a family.

Area	Performance
Social Spending	• In 2021 social spending was allocated US$65.5 million of the US$ 5.14 billion budget which is 1.30%. In the MTBER, the Minister of Finance failed to give a supplementary budget to social spending despite the evidence which suggested the inadequacy of the allocation. • The number of people slipping into extreme poverty increased from 4.4 million in 2018 to 7.9 million in 2020. The tally of people in need of social safety nets has increased yet resources are not being adjusted accordingly, contrary to the aspirations of the NDS1. • Approximately 2.6 million children need assistance in 2021 as Severe Acute Malnutrition (SAM) has increased from 0.2% in 2018 to 1.4% in 2019. 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 little to make meaningful changes to the lives of children. The fact that the government only helped 3 526 children against 2.6 million children is a clear testimony of incapacitation. The situation is worsened by the 4.5 million kids that need BEAM assistance.
Health Care	• Health care allocation is insufficient to bring about transformation and inclusive access to health. Oddly, government is channelling resources towards the construction of a VVIP hospital for the country`s executive at Manyame Airbase valued at US$ 270 million – an aggravation of unequal access to health. The 2019 Auditor General's Report indicated that the health sector was in a bad state, coupled with dilapidating and un-serviced infrastructure/equipment • The state of public health attest to poor health budgetary allocations which is way below the 15% Abuja Declaration benchmark. • This contradicts tenets of the NDS1 bent on improving access to primary, secondary, tertiary, and quaternary health care services with a service availability index of 50% and Client Satisfaction Index of 76% by end of 2021.

Area	Performance
Education	• Zimbabwe has 9625 schools of which 6671 are primary schools and 2954 are secondary schools meant to serve a population of about 15, 062,998 (as of 7 November 2021). The number of schools is not increasing with the growing population. • The 2019 Auditor's Report show that students are resorting to beerhall, backyard and garage schools as they cannot afford better schools or shortages of schools in the country. • Resultantly, Zimbabwe's rankings in literacy levels has dropped[13], thus there is need to reinvest in the Zimbabwean educational sector. • Government education spending has significantly contracted from an average of US$832 million over the period 2013 - 2016 to US$397 million in 2020. In 2021, education was allocated 16.5% of the budget against 20% international benchmark, implying miniature investment in the education, divergent to the aspirations of NDS1.
Lands, Agriculture, Water and Rural Resettlement	• Projects meant to support agriculture such as the construction of dams have been marred by tender irregularities. • The Kunzvi dam tender was offered to a costly tenderer – Nanchang's bid was at US$109 million against SinoHydro's bid of US$66 million, giving a variance of US$43 million. The Command Agriculture Programme was heavily looted too. • The government has also failed to set up, provide or create a conducive environment for an effective market system that advances the interest of the famers. • A baseline survey conducted by ZIMCODD in Murambinda, Buhera, Gokwe and Binga showed that farmers decried the unavailability of market systems that gives value to their products. • The Grain Market Board has not done any good as it has become a source of misery and unhappiness with Chiredzi famers under Chief Tshovani going for three years without receiving their payment.

Transport and Infrastructural Development	• The 2021 National Budget has continued to support transport and infrastructural development projects given visibility of activities around major highways such as Harare-Beitbridge Road and other small roads within cities. • However, the government has not furnished the parliament and citizens with the granular details of tender processes and how it reached the decision of awarding tenders to companies that are revamping the national roads. • The details pertaining to the financial implications and cost are not disclosed and there is fear that there is abuse of public resources. For instance, the government announced that the cost of revamping the 6,3-kilometer dual carriageway from Coca Cola Corner in Graniteside to a kilometre after Maruta Shopping Centre in Hatfield is US$3 385 834,79 implying that each kilometre costed approximately US$537 434 – a bid that is outrageously expensive. • Public transport system remains erratic with ZUPCO failing to cope with the demand. The government in March last year put a ban on kombis and other private players as a way of curbing COVID-19. Since then, the government has given monopoly to ZUPCO despite its proven failure to service all cities and rural areas.
Women Affairs, Community, Small and Medium Enterprise Development	• The set Women Development Fund has not benefited majority of women as partisan administration of the funds was at the core[14].

Source: compiled by authors

14. Maketo, J.P and Mutizwa, B. (2021) Women Development Fund Accessibility Rapid Survey, ZIMCODD, Harare.

7. CONCLUSION

The 2021 budget is framed to pursue the NDS1 targets but the word-perfect budget does not tally with the realized budget performance given the implementation challenges. The scanty resources given the shrinking tax base explain the ill-performance of the budget as allocations for 2021 either do not meet international benchmarks or they are lower than those of 2020.

Government has also resorted to publicizing economic optimism based on stability of economic fundamentals although little has been done to nurture sustainable growth as infrastructure gaps continue to discount the growth potential of the economy.

Several economic sectors (education, health, social protection, and women affairs and youth) require additional funding although the government is not keen to avail more resources as the Treasury Chief value balanced budgets that are seemingly an annual phenomenon. In an economy where poverty and inequality are worsening, unemployment is uncontrolled and fundamentals (inflation and exchange rates) are unstable, whilst infrastructure gaps are evident, the budget framework must be directed towards resuscitating the economy, create jobs, reduce poverty, and chart a course for sustainable development

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